PeoplesBank
Where Values Matter!

investments for non-farm business, community and infrastructure purposes. I object to allowing FCS associations to make either loans or investments for purposes not authorized in the Act. It also makes little sense for FCA to issue guidance on these issues in advance of finalizing this proposed regulation. Therefore, I request that FCA withdraw both the recently issued guidance memorandum and this proposed rule. This rule should be reissued to address the issues raised in this letter. The guidance memo should not be issued until after the regulation has been finalized.

FCA asks whether this proposed rule should identify specific purposes for associations to purchase and hold investments, and asks, "If you believe that our rule should expressly identify and require specific purposes, please state which ones and why." FCA should explain its intent in terms of the scope and eligibility of potential "investments" the agency may approve in the future and explain whether these investment purposes go beyond the Act's lending authority.

FCA claims, for example, "that Associations are authorized to purchase and hold investments only for the purpose of managing risks." Yet, if FCA approves "other investments" for general business, community or infrastructure purposes, these types of investments are not "only for the purpose of managing risks." The public has no basis for knowing how broad the investment purposes envisioned in the proposed rule are thus making it difficult to assess the full extent of the proposal. Further, FCA does not define how the agency distinguishes between loans and other investments or bonds and this should be fully addressed in the proposal. Otherwise, the proposal appears to allow FCS lenders to make investments that are actually just illegal loans.

FCA states it has not revised its investment regulations since 1999 but refuses to disclose the apparently very broad nature of investment types it now intends to approve. Clearly FCA needs to provide much greater detail on this subject and reissue this regulation to allow the public an opportunity to actually comment on the investment types FCA intends to approve.

FCS associations' investments should not comprise more than 10% of their loan volumes. These investments should be primarily oriented towards managing surplus funds and for risk management purposes. FCS should not be engaging in exotic investments such as diversified investment funds. All FCS association's investments should not exceed the 10% loan volume cap including those guaranteed by the U.S. or federal, state, and local agencies. The FCS should focus on making loans, not trying to become investment bankers.

Again, I request that FCA withdraw its recently issued 'guidance memo' on investments in lieu of finalizing this proposal. However, this proposal needs to be reissued with an explanation of investment purposes FCA intends to approve going forward. The public needs an opportunity to comment on the specific details of what the term "other investments" actually means. FCA should have the integrity to ensure its approval of investments does not extend to financing activities that are inconsistent with the lending purposes of the Act.

Sincerely,

Maggie Miller
CSR

ROCK VALLEY, IA: (712) 476-2746
LESTER, IA: (712) 478-4411
SIOUX CENTER, IA: (712) 722-0101
AKRON, IA: (712) 568-1091
SHELDON, IA: (712) 324-4400
HAWARDEN, IA: (712) 551-2413
JASPER, MN: (507) 348-3051

www.peoples-ebank.com

PeoplesBank
Where Values Matter!

Mr. Barry F. Mardock
Deputy Director, Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Re: Eligible Investments for Farm Credit System Associations and Funding Banks

Dear Mr. Mardock:

Our bank is very concerned about the Farm Credit Administration's (FCA) regulatory proposal to "modernize" (as you put it) investment purposes for Farm Credit System (FCS) entities. I am most concerned this proposal, combined with your recent "guidance memorandum" on investments and pilot projects, is not only confusing but backwards. FCA should withdraw the guidance memo until after this regulation is completed. The combination of the guidance memo and this regulation appear aimed at allowing FCA to approve virtually any type of investment. This is an egregious, self-serving power grab on FCA's part.

Strict limitations are needed on FCS lenders' investments. FCS entities are GSEs and should focus on loans, not investments. I am concerned FCA is establishing an approval methodology that allows FCS lenders to label as investments what are in effect loans. Please explain how FCA determines the difference between a bond and a loan in terms of eligible investments.

Please provide a list of eligible investments. Do you intend to approve non-farm business loans if they are issued as bonds? Do you intend to approve all of the extensions of credit made under the various pilot projects, which are supposedly being withdrawn? Would FCA approve investments in commercial buildings, commercial real estate, shopping malls, movie theatres, apartment complexes, and manufacturers if an FCS lender adequately filled out your September guidance memo and appropriate documents? Is virtually any type of loan eligible if it is considered or labeled as an investment? How does FCA determine what financing activity meets the definition of an investment under the "other investments" category?

If FCA does intend to approve these types of "investments" then you did not listen to the thousands of letters from bankers opposing your 2008 proposed rule. The rule states "no investment is ineligible if approved by FCA." Congress did not grant you an "anything goes" approval authority in the law that supersedes the Act's lending authorities.

All illegal investments now in FCS portfolios should be divested within six months. Investment portfolios should not exceed 10 percent of loan volumes, even if such volumes decline. Please withdraw the guidance memo and this proposal and reissue this proposal for comment after answering the questions raised above. FCA should not approve investments that exceed to cope of the Act's lending parameters.

Sincerely,

Maggie Walker
CSM

ROCK VALLEY, IA: (712) 476-2746
LESTER, IA: (712) 478-4411
SIOUX CENTER, IA: (712) 722-0101
AKRON, IA: (712) 568-1091
SHELDON, IA: (712) 324-4400
HAWARDEN, IA: (712) 551-2413
JASPER, MN: (507) 348-3051

www.peoples-ebank.com