



STATE BANK OF HERSCHER

Established 1902

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October 23, 2014

Mr. Barry F. Mardock  
Deputy Director, Office of Regulatory Policy  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, VA 22101-5090

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

Dear Mr. Mardock:

State Bank of Herscher, located in a rural community of some 1600 souls and has been in business since May, 1902. Our long term customer base has been rural lending to farmers and the small businesses of the community. We obtain our lending funds from depositors, not the open national security markets as the Farm Credit System.

Purpose of my letter is our concerned about the Farm Credit Administration's (FCA) regulatory proposal to "modernize" (your words) investment purposes for 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. Such is an egregious, self-serving power grab on FCA's part.

Strict limitations are needed on FCS lenders' "investments". I am concerned FCA is establishing an approval methodology that allows FCS lenders to label as investments what are in effect loans. Explain how FCA determines the difference between a bond and a loan in terms of eligible investments.

All illegal investments now in FCS portfolios should be divested within a set period, such as six months. Investment portfolios should not exceed a % of loan volumes, even if such volumes decline. As to the % amount, not more than 10% of loan volume.

Sir, your organization is named Farm Credit Administration and is to serve the "Farm" community. Other than not providing sufficient control, Congress has not stated an intention for the FCA to supervise its FCS banks as commercial banks. Congress did not at inception of the FCS nor recently decided that the System should become "commercial banks". If that is your purpose, fess up, go to Congress and ask to do so, set up your tax paying number, notify the Consumer Protection Agency so you join that lovely group of regulators directions and enter the competitive market for deposits and all the rules pertaining to same.

Sincerely,

Charles M. Riker  
President

cc: Hon. Senator Mark Kirk

