FRESNO FIRST BANK

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October 24, 2014

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" 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.

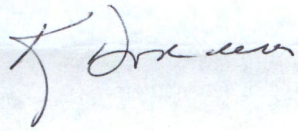
Please provide a list of eligible investments. Do you intend to approve non-farm business loans if they are issued as bonds? Do you intend to approve all of the extensions of credit made under the various pilot projects, which are supposedly being withdrawn? Would FCA approve investments in commercial 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.

It's apparent from the actions of local FCS entities, which are staffing with former commercial bankers, that they fully intend to start doing C&I financing or investments as they are referred to.

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 scope of the Act's lending parameters.

It is challenging enough for community banks to compete with local Farm Credit Associations in the Ag market, when they enjoy preferential tax treatment not afforded community banks. This rule would open up that competition to the C&I market. I'll have little to complain about when the Farm Credit Associations are subject to the same taxation and regulations as community banks are. At least it will be a level playing field.

Sincerely,