



Montana *independent* Bankers

October 22, 2014

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:

I write on behalf of the membership of the Montana Independent Bankers Association (MIB). As you know, Montana is primarily a rural, agriculture-producing state. Many of our member banks have long-standing relationships with agriculture producers and the business that serve them, such as implement dealers.

In light of the above, MIB's member banks are troubled by the Farm Credit Administration's (FCA) regulatory proposal to modernize investment purposes for Farm Credit System (FCS) entities. On its face, the FCA proposal, if implemented, will allow FCS lenders to submit requests for approval of a broad spectrum of general business, community and infrastructure projects.

MIB's members are concerned that this proposal, combined with your recent "guidance memorandum" on investments and pilot projects, is not only confusing but beyond the regulatory authority of FCA. MIB requests that FCA 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 a troubling move by your agency, and is, as noted above, beyond the regulatory authority of FCA and its mission.

Strict limitations are needed on FCS lenders' investments. FCS entities are GSEs and should focus on loans, not investments. MIB's member banks are concerned that FCA is establishing an approval methodology that authorizes FCS lenders to label as investments what are in effect loans.

MIB's member banks would appreciate receiving a written explanation from you on how FCA determines the difference between a bond and a loan in terms of eligible investments. In addition, MIB's membership requests that you provide us with a detailed list of eligible investments. We would also appreciate knowing whether you intend to approve non-farm

business loans if they are issued as bonds. In addition, 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you intend to approve all of the extensions of credit made under the various pilot projects, which are supposedly being withdrawn?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?

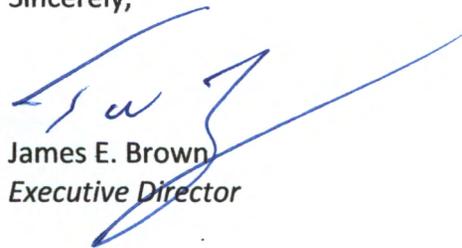
It is clear to MIB's member banks that if FCA does intend to approve these types of "investments," then your agency did not listen to the thousands of letters from bankers, including Montana community bankers, opposing your 2008 proposed rule. That rule states, "no investment is ineligible if approved 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. At this time, MIB's member banks request that you withdraw the guidance memo and this proposal. We also request that you reissue this proposal for comment after answering publicly the questions raised above.

In sum, FCA appears to be suggesting that if its financing activities are labeled as "investments" or "bonds" instead of loans, you can approve virtually any type of financing. This is clearly a form of mission creep. As such, FCA should not approve investments that exceed to cope of the Act's lending parameters.

Thank you for your time and attention to the comments and information requests contained herein. You may direct your responses to the answers posed to the address contained on this letterhead.

Sincerely,



James E. Brown  
*Executive Director*

cc: MIB Board  
Senator Jon Tester  
Senator John Walsh  
Representative Steve Daines