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October 22, 2014

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

Re: Reckless Expansion of Farm Credit System financing activities

Dear Mr. Mardock:

I am a community banker who is extremely concerned about the Farm Credit Administration's (FCA) regulatory proposal to massively expand or "modernize" (as you put it) the business activities of Farm Credit System (FCS) entities.

When combined with your recent "guidance memorandum" on investments and pilot projects, it appears that you wish to expand your tax payer funded operations while maintaining your tax exempt status to the detriment of every commercial bank from the Hudson River to the San Joaquin Valley. This warped view of commercial enterprise is not only confusing but backwards. FCA should decide if it desires to be a limited scope cooperative providing limited financial services to a restricted market place for specific enterprises, or if it desires to become a full fledged Commercial Financial Services Provider that is obligated to pay taxes just as its competitors. FCA needs to decide if they will answer to shareholders and give up the blank check of government sponsorship.

Until that decision is made you need to withdraw the guidance memo and concentrate upon the market segment authorized in the original 1916 Federal Farm Loan Act. The combination of the guidance memo and this regulation appear aimed at allowing FCA to approve virtually any type of investment. This egregious, self-serving power grab on FCA's part is analogous to a teenager telling his dad to fill up the car with gas because he has places to go.

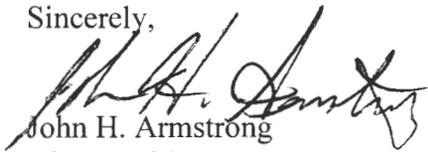
Strict limitations are needed on FCS lenders' investments. FCS entities are Government Sponsored Enterprises and should focus on loans, in their stipulated field of endeavor, not investments. I am concerned FCA is establishing an approval methodology that allows FCS lenders to label as investments what are in effect loans. Please explain how FCA determines the

difference between a bond and a loan in terms of eligible investments. Apparently the concerns expressed by the thousands of letters from bankers opposing your 2008 expansion plans were met with blind eyes and deaf ears.

The rule states "no investment is ineligible if approved by FCA." Congress did not grant you an carte blanche authority in the law that supersedes the Act's lending authorities. As currently proposed any legal enterprise from a Brothel to Zinc Mine could be financed by FCA.

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,

A handwritten signature in black ink, appearing to read "John H. Armstrong". The signature is written in a cursive style with a large, stylized initial "J".

John H. Armstrong

Vice President

Peoples Bank & Trust Co.