# East Texas Electric Cooperative, Inc.

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October 13, 2014

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

Re: Proposed Rule Revising Capital Requirements for Farm Credit System Institutions

Dear Mr. Mardock,

We appreciate the opportunity to offer comments to the Farm Credit Administration's proposed rule revising capital requirements for Farm Credit System institutions. In its proposed rule, the Agency seeks specific comment as to whether it should retain the current risk weighting for exposures to certain electrical cooperative assets. We strongly encourage the Agency to continue its traditional risk weighting methodology for loans made by Farm Credit System institutions to rural electric cooperatives.

Since 2007, the FCA has, under its reservation of authority, "determined that exposures to certain loans, leases, participation interests, and debt securities (Assets) of the electric cooperative industry warrant a lower regulatory capital risk weight". We strongly support the FCA's decision on this matter and encourage the Agency to maintain that position in its new capital regulation.

The rural electric cooperative industry is strong and serves a vital mission in rural communities. The availability of and cost of credit to rural electric cooperatives is critical to our ability to continue to fulfill our mission and serve our customers. We are very concerned that a decision to raise the risk weighting of loans made to electric cooperatives by FCS institutions would hurt credit availability to the industry and drive up the borrowing costs of cooperatives, which would ultimately hurt rural electric rate payers.

We applaud the FCA's 2007 decision and the Agency's acknowledgement of the "unique characteristics and lower risk profile of" the electric cooperative industry. In the explanation of its decision, the FCA noted that this "lower risk profile is supported, in part, by the financial strength and stability of the underlying member systems, the ability to establish user rates with limited third-party oversight, and the exclusive service territories encompassing rural America -- all of which insulate the electric cooperative industry from many of the credit-related risks experienced by investor-owned utilities." The Agency referenced the industry's minimal loss history and its sound credit ratings as further justification.

The FCA's judgment in this matter has stood the test of time. The original rationale for 50% risk weighting remains valid today and is just as important to the success of rural communities served by rural electric cooperatives.

We appreciate the opportunity to comment and urge the FCA to continue its current practice of applying 50% risk weighting to loans made by FCS institutions to rural electric cooperatives. Thank you for considering our comment on this important matter.

Sincerely,

Edd Hargett

Edd Hargett
Manager