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

Dear Mr. Mardock:

Thank you for the opportunity to comment on Farm Credit Administration's (FCA or Agency) proposed capital rule. I believe that adopting appropriate Basel III-based standards for the FCS will ultimately enhance investor understanding of the FCS's financial strength and increase marketability of third-party capital and debt securities, especially in periods of stress, thereby enabling the FCS to fulfill its mission. However, I also believe that strict conformance to rules and definitions designed for joint stock companies without recognizing our unique cooperative structure and the unique prudential capital needs of a GSE with a public policy mission is a mistake.

The existing capital rules were the result of extensive analysis, study and refinement during the past two decades and reflect the invaluable lessons learned during the 1980s' farm crisis. Such rules not only improved the quality and quantity of capital in the System, they accommodated different philosophies within the System on how such capital is best accumulated. The System's strong capital position before, during, and after the recent financial crisis is a testament to these rules. I envisioned the proposed rules would result in a marriage of the successful elements of our current capital regulations with the current concepts embodied in the Basel III standards. The proposed rules, while making great strides towards this vision, falls short in several key areas discussed below.

Minimum Term: Length of Revolvement Program. The length of an association's revolvement program should be irrelevant to the issue of whether allocated surplus may be counted as CET1 or Tier 2 capital. I note that the Proposed Rule prohibits an institution from making capital distributions in any 12-month period in excess of its trailing 12-month earnings. This rule essentially requires capital to be replenished with new earnings before it is distributed. The Proposed Rule also places limits on distributions if capital levels fall below a capital conservation buffer that is substantially above the minimum standards. With these safeguards in place, there is no purpose served by imposing a minimum term on allocated surplus. Indeed, a minimum term could easily be confused with a "maturity" date in the minds of holders, itself