

MAC THORNBERRY
13TH DISTRICT
TEXAS



ARMED SERVICES COMMITTEE
VICE CHAIR

Congress of the United States
House of Representatives
October 3, 2014

SUBCOMMITTEE ON INTELLIGENCE,
EMERGENCY THREATS AND CAPABILITIES
CHAIRMAN

PERMANENT SELECT
COMMITTEE ON INTELLIGENCE

Ms. Jill L. Thompson
Chief Executive Officer
Farm Credit Administration
1501 Farm Credit Dr
McLean, VA 22102-5000

Dear Ms. Thompson,

I am writing on behalf of several constituents in Texas to express concern about some of the provisions in the Farm Credit Administration's (FCA's) proposed regulatory capital rule.

While many can agree with the objectives of the proposed rule to modernize capital requirements while taking into account the cooperative structure of the Farm Credit System (System), I have heard concerns that certain provisions fall short of these goals.

First among these is the 10-year restriction on redeeming allocated equities as a condition of being included in the Common Equity Tier 1 (CET1) capital. Setting an arbitrary timeline on a System institution's ability to revolve its allocated equities can go against the cooperative nature of the System by forcing potentially uninvolved former members to retain their stakes, thus making them less likely to properly hold the System institution accountable.

Another concern is the Tier 1 leverage requirement of 5 percent, which is inconsistent with the Basel III guidance of 4 percent. Additionally, the requirement to leave 1.5 percent of a cooperative's total assets as unallocated, regardless of need, seems unfounded.

Finally, the reserved right of the FCA to approve all capital distributions can add additional administrative expenses and burdens on System institutions and reduce a board of directors' ability to effectively manage capital during challenging economic times.

Within your rules and regulations, I respectfully ask that you give your full consideration to the impact that these provisions will have on the structure of the Farm Credit System and its members.

Sincerely,

Mac Thornberry
Member of Congress

WMT/MS

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