

September 20, 2018

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

RE: Organization; Definitions; Eligibility Criteria for Outside Directors – RIN 3052-AC97 / 12 CFR Parts 611 and 619

Dear Mr. Mardock:

Premier Farm Credit, on behalf of its membership, appreciates the opportunity to comment on the Farm Credit Administration's (FCA) proposed rule to amend its regulations affecting the governance of the Farm Credit System (System) institutions, specifically, the proposed rule proposing modifications to the existing outside director eligibility criteria.

The comments that follow were developed after soliciting input from the Board of Directors and management of Premier Farm Credit.

We are, in general, supportive of FCA issuing revised regulations to clarify and update existing requirements that serve to strengthen the safety and soundness of System institutions and strengthen the independence of System institution boards. However, we have serious concerns about the consequences of the proposed changes to amend the eligibility criteria for outside directors.

The proposed rule referenced above 'seeks to clarify the eligibility requirements of an outside director to achieve the independence intended by the statutory requirements' [611.220 (a)]. We agree with the objective, and the addition of the terms and definitions of 'borrower/borrowers', 'controlling interest', 'immediate family' and the deletion of the existing definition to reduce redundancy. These are common sense and common in practice updates.

Our concern lies with the updates to Eligibility Criteria of outside directors found in 611.220(b), which we feel are not practical nor in the best interest of the System. The proposed updates to criteria intend to further strengthen the independence perspective on each System Institution's board. To enact this end, the proposed expanded criteria would exclude all borrowers who conduct business with an affiliated organization of the System. Many of these affiliated organizations operate almost totally independently of the system and are not recognized by individuals as having any link to the System. Furthermore, the rule goes on to specify that a director with 'immediate family' doing business with any affiliated organization would no longer be eligible to serve in the outside director role. This is not practical and severely limits the pool of candidates. For example, an outside director with a Father-in-Law who uses AgDirect for point-of-purchase financing on a small equipment purchase would no longer

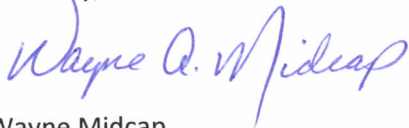
be eligible to serve. AgDirect serves a large convenience-based customer segment, and does so across the country with no regard to territory boundaries and with no indication to customers that AgDirect is affiliated with the Farm Credit System. It is our observation that (consistent with their approach to the marketplace) many AgDirect customers are totally unaware of any link to the System and do not view business with them as transacting within the System.

An additional example of an affiliated organization operating across territory lines and in accordance with all rules and regulations but not transparent to customers in their tie to the Farm Credit System is Compeer's rural housing program. Many rural homeowners and those with 'immediate family' who are rural homeowners who are otherwise totally independent and qualified to serve will become needlessly ineligible if these proposed changes are adopted.

The intent of the proposed rule change is 'to further strengthen the independence perspective on each System institution's board'. Enacting this expansion will instead have the unintended consequence of weakening the independent perspective of boards, as so many qualified, objective and currently deemed independent individuals would be no longer eligible to serve. As a result, Associations may be forced to engage Directors who are totally disconnected from agriculture and rural communities. We feel this is not consistent with the desired result of the proposed changes, 'to achieve the independence intended by the statutory requirements'.

Again, we appreciate the opportunity to comment on the proposed rulemaking. Please do not hesitate to contact us if you have any questions regarding our comments.

Sincerely,



Wayne Midcap
Chair, Premier Farm Credit Board of Directors