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October 23, 2018

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

**Proposed Rule – Organization; Definitions; Eligibility Criteria for Outside Directors (12 CFR Parts 611 and 619)
RIN 3052-AC97**

Dear Mr. Mardock,

I am a director on the Board of Directors of Central Texas Farm Credit (CTFC). I appreciate this opportunity to express my views on the proposed revisions to Section 611.220 of the regulations regarding outside directors, and the direct, negative impact it will have on our Board of Directors.

FCA sets forth in the preamble to this proposed regulation that an outside director must be independent and suggests definitions that, when applied, will require outside directors to be free from any connection with the Farm Credit System, including through immediate family. However, FCA fails to provide any evidence that this independence will assist outside directors to carry out their fiduciary responsibilities. It is my understanding that Congress's intention of allowing shareholder elected directors to appoint outside directors was to enhance a board's financial expertise or knowledge and provide a disinterested perspective. It was not to have an individual so isolated from the Farm Credit System that they are unaware of the nuances and differences between farm credit and other lending institutions. FCA also states that the current regulation does not specify how far removed from a statutory prohibited relationship an outside director must be, and, again, FCA does not provide any further reasoning why such specification is necessary. For my part, I am unable to understand why FCA believes that it is necessary to require an outside director to have absolutely no ties to the Farm Credit System, especially through their immediate family. The fact that an immediate family member has a relationship with the Farm Credit System or a broadly defined affiliated organization does not automatically diminish the outside director's ability to act with the proper independence and fiduciary duty.


The current outside director of CTFC is a certified public accountant and has spent many years performing bank audits. His expertise and experience are vital to our Board and we often rely on his financial knowledge to make sound financial and business management decisions. He has acted as the outside director of CTFC for many years, and the Board has not ever felt as if his

connections with the Farm Credit System have diminished his ability to carry on his fiduciary duties to CTFC. However, if Section 611.220 is passed, as written, our outside director will be disqualified and must be removed because brother-in-law and sister have a loan with our institution. The Board has not seen or has ever had cause to believe that this tenuous relationship has affected our outside director's ability to recommend actions that are in the best interest of CTFC.

The preamble of the proposed regulation also states that the additional eligibility requirements would not adversely affect a system institution's ability to select a qualified candidate. We are unclear on how FCA arrived at this, and as mentioned above our Association would be greatly affected by this proposed regulation. In addition to losing our outside director of many years, we would be faced with the difficulty of finding another suitable candidate, willing to be subjected to more extensive and intrusive disclosure procedures. As I understand the proposed regulation, outside directors will need to begin to inquire into the financial status and relationships with the Farm Credit System and affiliated organizations of anyone defined as an immediate family member. However, it is unclear, to me, how a small association, such as CTFC, can possibly monitor these types of relationships during the appointment process and the outside director's term. I am also unsure how FCA would even begin to enforce such an overly broad and unclear regulation.

The implementation of the proposed regulation would require our Association to create new procedures to validate the outside director's disclosures and operate in the interim if an outside director becomes ineligible during his term. It is unlikely that any individual that earns their livelihood and is active in our rural community would not have a spouse, child, sibling, parent, or in-laws of any these relations that does not have a relationship with the Farm Credit System or, especially with an unclearly defined "affiliated organization". We will most certainly have trouble finding a candidate that meets the qualifications in the rural area that we serve. The proposed regulation changes do not address how an association should operate in the event that an association cannot find a suitable and willing candidate that is completely independent from the Farm Credit System or how an association would continue to manage without the required outside director if the director was disqualified.

I do not believe FCA considered these types of situations before proposing the changes to Section 611.220. It is the opinion of the CTFC Board of Directors that Congress's overall intent to require an outside director was to strengthen and expand a board's financial and business management knowledge for it to fulfill its fiduciary responsibilities. FCA has overlooked this intent and has proposed a rule that is overly broad and unduly burdensome which will cause severe, unneeded consequences to system institutions. I believe FCA should withdraw this proposed regulation. We also fully agree and support the comment letters submitted by the Farm Credit Bank of Texas and the Farm Credit Council.

Sincerely,

Steven Lehrmann
Director of the Board of Directors
Central Texas Farm Credit