Texas AgFinance®

December 1, 2008

Mr. Gary K. Van Meter
Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Subject: FCS Reply to the October 31, 2007 FCA Advance Notice of Proposed Rulemaking

Re: Capital Adequacy-Basel Accord

Dear Mr. Van Meter:

Texas AgFinance is pleased to reply to the October 31, 2007 FCA Capital ANPR and applauds the FCA for soliciting public input into its rulemaking process. We would like to address the issue related to allocated equity and its permanence in the overall capital structure of an Association. It is our view and experience that the permanence of allocated equity is not diminished by the presence of a retirement/revolvement cycle since the board of directors must approve the retirement/revolvement of such equity. Furthermore, marketing efforts are not inhibited by the extension of this cycle or the reduction of patronage since the loan is at a market rate and the patronage program only enhances marketing efforts. For your review, I have outlined our history with regards to revolving allocated equities in the following paragraph.

Given the 18% average growth rate Texas AgFinance experienced from 1998-2000, we suspended revolvement of our allocated equities in 2000. The following 5 years we continued to allocate our earnings, paying out 30. % in cash, however we did not distribute any of the previous years' allocated equities. During that time frame the lending environment was extremely competitive. Although faced with such a competitive environment, we managed to maintain a growth rate of 21.28% without revolving any allocated equities. In 2005, we resumed the revolvement of the oldest allocated equities in the portfolio and have been revolving equities for the past 3 years. Now faced with an uncertain economy, we believe it would be prudent to improve our capital and leverage position, therefore we are preparing the FY 2009 budget and business plan with the assumption of discontinuing the revolvement of those equities for another 2 years. Although the lending environment is much different now than what it was during the 2000-2005 timeframe, early indications from our stockholders are that they understand our need to build capital. We believe the result of not revolving any equities for 2 more years will have minimal, if any, impact on our marketing efforts. Given past history we don't anticipate any borrower flight as a result of this decision.

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Subsequent to an informational letter to the stockholders, we have received only one formal response regarding the possibility that we may not revolve our equities over the next 2 years, and it was actually complementary, thanking the management of the Association for making prudent business decisions.

Feel free to call if you would like to discuss our experience in further detail.

Best regards,

Jimmy N. Wright
President & CEO