GreenStone
FARM CREDIT SERVICES

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July 16, 2021

Mr. Kevin J. Kramp
Director, Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Re: Proposed Rule – 12 CFR Part 614 – RIN 3052-AC94; *Collateral Evaluation Requirements*; 86 Federal Register 27308-27323

Dear Mr. Kramp:

GreenStone Farm Credit Services ("GreenStone") provides this letter to deliver comments on the Farm Credit Administration's ("FCA") Proposed Rule regarding Collateral Evaluation Requirements that was published in the May 20, 2021 *Federal Register* (the "Proposed Rule"). The GreenStone management team was actively engaged in the workgroup with several other Farm Credit System institutions to review, analyze and discuss the Proposed Rule and existing regulations utilizing decades of experience within the Farm Credit System and outside the System from other financial sectors.

GreenStone is completely supportive of the Farm Credit System comment letter dated July 16, 2021 as signed by Todd VanHoose ("System Comment Letter"). It is not our intention to repeat all that is within that letter, but it is important for you to know we contributed to that work utilizing extreme care and diligence with every comment contained therein. These comments and those within the System Comment Letter come from countless years of practical business experiences, all of which have contributed to the overall success of the Farm Credit System.

It is critical that the Farm Credit Administration ("FCA") understand the gravity of the Proposed Rule and seriousness of the far-reaching implications such a rule would have on sustaining the success of the System. Through our study and discussion of the Proposed Rule we find ourselves asking why this is necessary and what problem(s) the Proposed Rule would solve? The rule change will take the System back in time and create hardships for both System institutions and the customers it serves by unnecessarily increasing burdens on cooperative members, System institutions and the FCA alike.

Specifically, this Proposed Rule will complicate operations and increase costs to its cooperative members without providing any benefit to the member or enhanced safety and soundness to the System. This will be particularly damaging to any Young, Beginning and Small (YBS) lending initiatives in the core and innovative lending engagements institutions create for sustainability and inclusion. Increasing costs and confusing traditional valuation practices will undermine the System at its core. The workgroup clearly identified the many ways this would occur if the Proposed Rule is implemented.

Also, there are many inconsistencies within the Proposed Rule with other rules and lending standards, making the consistency of regulatory review of System institution practices almost impossible. Examination disciplines will need to be redefined and problematic due to the inconsistencies and definitional impediments.

GreenStone stands with the System letter, and highlights the following as key concerns from its perspective:

1. Sound credit practices have been well established and consistently applied to include the rules and regulations under Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), and the Uniform Standards of Professional Appraisal Practice ("USPAP"). This has provided a safe and sound lending environment fairly applied to its members and applicants. The results are evident in the performance of the Association and System overall. There has been virtually no charge offs or adverse action due to collateral evaluations tools and techniques under the existing rules. This is all bolstered with the adoption and implementation of existing sound internal controls. The Proposed Rule would only act to encumber and complicate this well-established practices and controls without benefit.
2. The Proposed Rule appears to have good intention; however, it ignores other critical aspects of lending including the value of blanket liens and other lending factors that are bedrock to the "5 Cs" of credit. These elements must be considered when changing well established, functional and beneficial tools that have already stood the test of time resulting in the outstanding performance of the System. In addition, these elements are consistent with other financial institution practices, and to take steps away from these will put its members at a significant competitive disadvantage in managing operations. We refer you to the System Comment Letter for the compelling detail on the impact to current sound operations this Proposed Rule would have on the System.
3. Inconsistency and impact with other regulated lending programs with USDA and FSA were not considered in this Proposed Rule. Confusion in terminology and loss of flexibility in existing working relationships will have a significant effect on the Association lending programs and its customers. While we believe the FCA did not intentionally intend to disrupt these relationships and programs, our experience is such this will occur and undermine performance and relationships whose goal is to service the agriculture industry.
4. There are many specific provisions that present unnecessary complexity or purpose to improve the intended results of the valuation process. These should be considered as they are significant and call for the withdrawal of the Proposed Rule independent of other significant concerns. As stated in the System Comment Letter, this includes:
    a. Definitional confusion created in the use of automated business chattel valuation models.
    b. Business chattel definition concerns.
    c. Personal property definition concerns.
    d. Inconsistency in requirements for appraisals and evaluations.
    e. Aging of appraisal and evaluations in connection with the specific lending transaction and other factors in their use.

Overall, it is clear in our evaluation that this Proposed Rule should be withdrawn and reconsidered if the System is to maintain its relevance in serving the agricultural finance needs of farmers. We would be happy to work with you to better understand the severity of this Proposed Rule and why withdrawing it and starting over with a process using strong collaboration between the FCA, experienced System professionals, independent professional valuation practitioners (appraisers) and even farmers themselves who are impacted by these rules would be a more productive way to accomplish the common goals for both the System and FCA.

We are grateful for the opportunity to provide these comments, and respectively request a withdrawal of the Proposed Rule.

Sincerely,

Edward L. Reed
Board Chairman

Dave Armstrong
President & CEO