COLUSA-GLENN FARM CREDIT

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:

Farm Credit Services of Colusa-Glenn, ACA (the Association) appreciates the opportunity to comment on the Farm Credit Administration's (FCA) Proposed Rulemaking published in the May 20, 2021, Federal Register (Proposed Rule) addressing Collateral Evaluation Requirements. We also appreciate FCA's time and consideration of our concerns as discussed herein.

The Association endorses the conclusions addressed in both the Farm Credit Council and CoBank, ACB's comment letters and share the concerns of our peer FCS institutions that the Proposed Rule may create a competitive disadvantage for the FCS and impact our ability to effectively meet our mission. We feel that the Proposed Rule will hold FCS institutions to a much higher standard than our commercial bank competitors and could create unfair and unnecessary operational inefficiencies within FCS institutions. The Proposed Rule will increase our regulatory burden and operating costs, reducing net income, capital and Member patronage. These impacts would adversely impact the financial strength and competitiveness of the FCS to fulfill our mission to rural America.

Specifically, we have highlighted a few requirements that would impact our Association most significantly:

1. Proposed Requirement Interpretation: All collateral must be valued by an evaluation or appraisal (including for an abundance of caution). This change would take away the option of using a field report (restricted report). A field report is used to validate the value provided by a previous appraisal that is 5 years or less in age.

   Potential Impact: This requirement would significantly increase our appraisal costs and turn-around time of appraisals. Increased appraisal costs would need to be passed to our Members and slower turnaround times may lead to delays in funding Member loans.

2. Proposed Requirement Interpretation: A lender may use the real estate appraisal of other lenders, when the lender obtaining the appraisal will not be extending the requested credit and agrees to transfer the appraisal.

   Potential Impact: Due to the competitive environment, most lenders will not allow the transfer of use of an appraisal to another lender; and, if they do, there will be a cost for this use. This added requirement will increase the cost to the Member and decrease the efficiency of the Association's appraisal function.

3. Proposed Requirement Interpretation: Lenders must provide a copy of a collateral appraisal or evaluation within 7 days of the request.

   Potential Impact: Providing a copy of the appraisal (not a field report or appraisal review which are internal documents) to the Member is acceptable; however, the lender should be in control of the timeframe. There may be times that an appraisal should only be released after the loan process has been completed. There are times when a purchase is involved, and as a lender, we do not want our appraisal(s) to provide assistance in determining a purchase price.

4. Proposed Requirement Interpretation: It is proposed that the information provided in the documentation should be presented in a manner that is easily understood by the Applicant/Member.

   Potential Impact: The appraiser has no way of knowing who will be reading his/her report and at what level the reader's understanding will be. Restricted appraisal reports are used in our lending process. These appraisals contain brief reporting formats and some of the data used in these reports remains in our Association files. Therefore, the reader may not have enough information to thoroughly understand the valuation.

5. Proposed Requirement Interpretation: The proposed regulation leaves the current "de minimis" levels at $250,000, while other banking regulations have moved this to $400,000 for consumer loans and $500,000 for commercial real estate.

   Potential Impact: This proposal places Farm Credit at a competitive disadvantage in comparison to our commercial bank peers.

Overall, we believe the Proposed Rule should be re-evaluated as written given the unanimous concerns amongst FCS institutions and stakeholders. In the event the Proposed Rule is withdrawn, our Association would welcome the opportunity to participate in a joint FCA-System institution work group dedicated to the construction of a collateral evaluation standard and rule that makes sense for both FCA and the FCS institutions it regulates.

Once again, we appreciate the opportunity to submit this comment letter as well as FCA's time and consideration of our concerns.

Sincerely,

Tim J Elrod
President & CEO

Michael F. Doherty
Chairman of the Board