

July 15, 2021

Farm Credit Administration
c/o Kevin Kramp, Director
Office of Regulatory Policy
1501 Farm Credit Drive
McLean, VA 22102-5090

Re: Proposed Rule – Collateral Evaluation Requirements (RIN 3052-AC94)

Dear Kevin,

As a small Farm Credit institution with loan volume of approximately \$325MM our staff members wear many hats to efficiently service the needs of the shareholders. Historically as chattel evaluators and real property evaluators our staff members have been able to skillfully and efficiently complete evaluations. The proposed rule on collateral evaluations that was recently published would significantly impact how we conduct chattel and real estate valuations here in Idaho.

Our recommendation to FCA is to withdraw the proposed rule and reach out to various Farm Credit staff members to understand evaluation methods that have been successful and beneficial to the system for the past several years and recently with technological improvements. We believe the rule is inconsistent with other regulations and needs more work with a new proposal with major revisions to this proposal or minor revisions to the existing regulations. We see the need for the regulations to be updated, and support that effort, but as written the rule inhibits the use of technology rather than embraces it. The rule is a step backwards in most areas, rather than an enhancement or improvement to the current regulation. It is our understanding that while the system has had a limited number of hiccups in this area the losses incurred from inappropriate evaluation methods have been extremely low as a result of an improper evaluation. It is unlikely that any of the proposed requirements would provide for additional safety and soundness of the system. Expanding regulations that inhibit what is working and what other regulators require would be a detriment to Idaho AgCredit's service to its shareholders, strain efficient operations and ultimately impact earnings/viability. We believe that young, beginning, small, socially disadvantaged and farm to market producers may see the greatest negative impact. Generally, their loans are smaller and consequently, under the proposed rule, would require expanded servicing to meet the proposed regulations resulting in additional loan fees and higher interest rates to cover the expenses incurred by Idaho AgCredit to finalize a loan package.

The following are items that we ask FCA to strongly consider:

- Idaho AgCredit supports the letter regarding the proposed rule submitted to FCA by the Farm Credit Council.
- Idaho AgCredit supports the letter regarding the proposed rule submitted to FCA by CoBank.
- We ask that FCA withdraw the proposed rule on Collateral Evaluation Requirements (RIN 3052-AC94).
- Please reach out to system institutions to better understand evaluation practices and procedures that appropriately, safely and efficiently serve their stockholders.

- Please consider discontinuing burdensome requirements contained in this regulation that do not provide for the safety and soundness of conducting a prudent lending environment.
- We believe that the proposed changes to the Appraisal and Valuation methods would especially strain the resources of Idaho AgCredit and other small institutions. As a small Association, we have a small staff. This rule expects more severe segregations of roles than is currently required and is currently feasible for IAC. If we had to hire an independent person for each role contemplated in the rule, we would significantly increase the size of our staff, without adding any efficiencies or improved customer service.
- These requirements may create an incentive for Loan Officers to attempt to leave collateral off the table if it is difficult to meet the impractical requirements to complete the necessary documentation. This can result in a larger loan loss when things don't go as planned.
- FCA examiners tend to interpret regulations differently. With the impracticality and complexity of these regulations the concerns between FCA and the Boards and Management would result in some avoidable complex discussions and a significant investment of time resolving the examiners' concerns. As you may be aware, Board Members are becoming exhausted by increased, burdensome and unnecessary regulations along with imposed practices that only reduce the willingness or desire of very qualified individual stockholders to serve on a system Board.
- The aggregate of the expense dollars attributed to addressing these proposed requirements incurred by FCA, Boards, Management teams and others would swallow up the minimal losses the system would have incurred by attempting to correct things that only needed to be enhanced. We recognize the system needs to remain healthy and strong and would encourage FCA to receive input from qualified individuals and those with actual boots on the ground in the system and then align with other regulators where appropriate.

Thank you for your time and consideration. If you would like some examples or real life situations where you can understand our points we would be glad to share them with you. Our examples may include situations that could reference stops on our tour that you and Mr. Hall made with us a few years ago. If we can support FCA with this project and others in the future we would be glad to help.

Sincerely,



Marc Fannesbeck
President & CEO
208-785-1510

