



July 15, 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 (May 20, 2021)**

Dear Mr. Kramp:

Farm Credit of the Virginias, ACA (the “Association”) sincerely appreciates the opportunity to submit comments to the Farm Credit Administration (“FCA”) in response to the Proposed Rule regarding Collateral Evaluation Requirements that was published in the *Federal Register* on May 20, 2021 (the “Proposed Rule”).

The Association has reviewed and discussed the Proposed Rule with its management, its Board of Directors, certain of its employees and agents, and its funding bank. The Association also participated in meetings and discussions with other groups, associations, district banks, and Farm Credit Council (“FCC”) and reviewed the background of the existing regulations, the Preamble to the Proposed Rule, relevant FCA-published materials, materials and authorities relevant to other lending institutions regarding such matters, and authorities relating to the interpretation and application of laws and regulations.

Based on the above, the Association’s own internal guidance, the mission and the cooperative principles of the Farm Credit System (“System”), and the desire (and need) to provide reliable, accessible, and affordable access to financing for the agricultural and/or rural needs of its borrowers and potential borrowers, the Association fully supports and adopts the comments on the Proposed Rule submitted by FCC and by AgFirst Farm Credit Bank (“AgFirst”). Such comments are incorporated by reference as if fully set forth in this letter.

The Association is generally supportive of the objectives stated in the Proposed Rule; however, we perceive numerous challenges within the Proposed Rule that would adversely affect both the Association and our borrower-owners. Based on the review performed, the Association respectfully requests that the Proposed Rule be withdrawn. We further support the recommendation from FCC and AgFirst that FCA revisit potential changes to collateral evaluation requirements through a collaborative process that leverages the significant experience and subject matter expertise available within the System.

A specific area of concern for the Association is that the Proposed Rule requires System institutions to assign a value to all collateral, even collateral taken on a blanket lien basis. Blanket liens are critically important and valuable to the Association to provide maximum collateralization of an Association loan, as well as enhanced control to mitigate risk. Valuing each piece of collateral taken on a blanket lien basis would be both very costly and very impractical. This aspect of the Proposed Rule will most likely result in less favorable and less competitive loan terms for borrowers due to increased operational costs associated with compliance and/or increased collateral risk associated with reducing or eliminating the use of blanket liens.

Additionally, the Proposed Rule is inconsistent with other FCA regulations, published guidance applicable to non-System lenders, and professional rules for appraisers and evaluators. The Association anticipates there would be significant cost required to educate appraisers and evaluators on the new requirements and to update internal policies, procedures, and controls, all with little or no value for the Association or its customers. One example of this is the proposed creation of a new asset class known as “business chattel;” this terminology would be unique to System institutions and would conflict or create ambiguity with other laws including Article 9, with no clear benefit to the Association or its customers. In several areas, the Proposed Rule is materially more restrictive than regulations applicable to other lending institutions, which would place the Association and other System institutions at a competitive disadvantage for attracting and retaining business with high quality borrowers. An example of this is the proposed continuation of the current *de minimum* level of \$250 thousand for consumer loans compared to a \$400 thousand *de minimum* level that is applicable under other lending institutions’ regulations.

Moreover, the Proposed Rule imposes many requirements on the collateral appraisal and evaluation process that should be credit considerations rather than collateral considerations. The Association has historically demonstrated a commitment to ensuring safety and soundness with regard to well-documented and timely collateral administration, together with other relevant considerations to support overall prudent credit administration. The Proposed Rule’s shift away from the current risk-based approach would negatively affect the Association’s ability to meet the System mission of effectively and efficiently serving farmers in our territory, and in a manner most reflective of the Association’s risk appetite based on factors including size, capital, and portfolio diversity.



# FARM CREDIT

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For at least the reasons stated herein, the Association respectfully requests that FCA withdraw the Proposed Rule and engage with System institutions in a mindful and thorough discussion to agree upon collateral evaluation requirements that align with the stated objectives of the Proposed Rule and that support Farm Credit's ability to serve its customers and fulfill its mission. Again, we appreciate your consideration of our constructive comments on the Proposed Rule.

Respectfully submitted,

Brad Cornelius  
Chief Executive Officer  
Farm Credit of the Virginias, ACA