

July 16, 2021

Submitted via email to: reg-comm@fca.gov

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

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

Dear Mr. Kramp:

AgriBank, FCB (“AgriBank”) appreciates the opportunity to comment on the Farm Credit Administration’s (“FCA”) Proposed Rule amending the collateral evaluation requirements for Farm Credit System institutions as published in the May 20, 2021 Federal Register (the “Proposed Rule”).

AgriBank reviewed the Farm Credit Council (“FCC”) collateral evaluation requirements comment letter dated July 16, 2021. AgriBank has monitored the activities of the System workgroup referenced in the FCC comment letter, which met over the course of several months to review and discuss the Proposed Rule, the existing regulations, other relevant FCA-published materials, and authorities relevant to other regulated lending institutions. We agree with and support the comments offered by the FCC in its letter, and AgriBank strongly supports the FCC and workgroup requests that FCA withdraw the Proposed Rule so that FCA and Farm Credit System institutions can explore alternatives to the Proposed Rule that both meets FCA’s goals and protects the System’s ability to serve its customers and fulfill its mission.

As noted, AgriBank agrees with all of the general comments in FCC’s letter, and offers additional commentary in this letter on four provisions of the Proposed Rule of particular concern to AgriBank:

1. The Proposed Rule’s requirement that System institutions assign a value to every single item taken as collateral is administratively burdensome, impractical, cost prohibitive, and will have the effect of discouraging System institutions from filing “blanket liens” (i.e. a lien on all of a debtor’s assets), thus potentially increasing credit risk to System institutions. As a funding bank, we are particularly concerned that this provision could have the unintended impact of weakening the collateral position of retail loan portfolios that form the basis of our association wholesale loan collateral.
2. The definition of Automated Valuation Model (AVM) in the Proposed Rule is inconsistent with USPAP’s definitions in Advisory Opinions 18 and 37, and lacks the specificity necessary to make it workable. The simplistic proposed definition of AVM would preclude System institutions from continuing to use certain AVMs, such as “Maven,” which are currently in use by associations conducting appraisals for interagency regulated lenders.



3. The Proposed Rule requires System institutions to obtain appraisals or evaluations of all collateral used to secure an extension of credit or the purchased interest in credit extended by another lender, and does not provide an exception for *de minimis* values, not even when valuing chattel covered by a blanket lien. The cost and inconvenience associated with this (i.e. the time it would take to value such collateral, the cost associated with establishing and documenting the value, and the likely delays in closing) would not be offset by improved accuracy or reduction in risk to System institutions. Rather, the System and its customers will bear increased expenses, delays in closings, and possibly less security for loans made by the System, if System institutions choose not to require liens on all assets because of the burdensome evaluation requirements. Also, with respect to valuing real property collateral, the Proposed Rule does not increase the current *de minimis* levels established in the 1990's of \$250,000 for both consumer and commercial loans, even though other banking regulations have increased the *de minimis* amount for consumer loans secured by real property to \$400,000 and the *de minimis* amount for commercial loans secured by real property to \$500,000. A similar increase for System institutions in order to align with other banking institutions would provide meaningful relief without posing a threat to System institutions' safety and soundness.
4. The Proposed Rule's requirement that System institutions evaluate all collateral taken out of an "abundance of caution" (i.e. not needed to support the credit decision or for regulatory or other compliance reasons) would adversely impact System customers and the System institutions' risk profiles because it encourages unsecured lending, substantially increases costs if all collateral must be evaluated, puts System institutions at a competitive disadvantage with other banking institutions, and limits the ability of System institutions to proactively manage their own portfolios, especially in the area of smaller lending relationships such as "Young, Beginning and Small" loans. This may discourage System institutions from lending to these market segments or increase the transaction costs for these types of customers.

We appreciate the opportunity to comment and FCA's consideration of our comment letter. We would be happy to meet with FCA to discuss our comments or provide any additional information that FCA may deem helpful. If you have questions or require additional information, please contact me.

Sincerely,



Barbara Kay Stille
Chief Administrative Officer and General Counsel

