August 3, 2022

Autumn R. Agans

Deputy Director, Office of Regulatory Policy

Farm Credit Administration

1501 Farm Credit Drive

McLean, VA 22102-5090

Re: Proposed Rule – 12 CFR Parts 614 and 620, RIN 3052-AD54; *Loan Policies and Operations*; 87 Federal Register 36261-36264

Director Agans:

River Valley AgCredit appreciates the opportunity to comment on the Farm Credit Administration’s (“FCA”) Proposed Rule regarding Loan Policies and Operations specifically addressing Young, Beginning and Small (YBS) activity that was published in the June 16, 2022 *Federal Register* (the “Proposed Rule”).

River Valley shares in FCA’s vision to meet the unique needs of YBS borrowers and to establish programs that will furnish sound and constructive credit, and related services to YBS farmers and ranchers. We have a vested interest to ensure that the financial needs of the young, beginning and small farmer are met to ensure their viability and success. River Valley takes pride in our ability to support this segment of borrowers by use of our unique loan products and the financial assistance we provide to YBS programs and organizations.

In reviewing the proposed rule, River Valley does not see the need for it and believes that it lacks direction for the proposed YBS program requirements. We also believe that the current Proposed Rule adds administrative burdens to our association that will cost us time and money. Our efforts are better spent in direct support of the YBS customers that the program is designed to help.

The Proposed Rule identified four objectives intended to strengthen YBS lending – 1 – increase direct lender associations’ YBS activity, 2 – reinforce supervisory responsibilities of the funding banks, 3 – require each direct lender association to adopt an independent strategic plan and 4 – provide elements that will be evaluated as part of a rating system to measure year-over-year progress.

It is River Valley’s view that the regulation as proposed does not meet these objectives and would negatively impact our ongoing efforts to serve YBS farmers and ranchers. The regulation adds undue compliance and reporting burden, diverts resources currently targeted at YBS programs towards

administrative coordination with the funding bank and other competing and over chartered associations, and creates unintended consequences of designing programs aimed at maximizing a rating system rather than meeting the specific needs of YBS borrowers.

Additional evaluation as part of a rating system could have unintended consequences that do not advance YBS efforts. The proposal outlines the object of a rating system to “measure year-over-year YBS progress”. The Proposed Rule fails to provide guidance on the proposed “rating system” for which institutions could comment on. Without additional information, it is difficult to identify concerning components of a rating system to proactively address and prevent unintentional consequences. A YBS rating system could stifle creative solutions to reach YBS farmers or ranchers. This could potentially limit how YBS farmers or ranchers are served rather than meeting the unique needs of YBS borrowers within River Valley’s territory. When FCA last proposed a rating system, it proposed making those rating available to consumers. River Valley does not support public disclosure of an institution’s YBS rating because it could be misconstrued by the public and potentially harm and institution’s reputation and customer relationships.

River Valley does not believe this type of rating system is needed as we internally monitor our progress annually. River Valley establishes annual marketing goals to increase our market share of loans to YBS farmers. To achieve this growth, specific marketing plans have been developed to target these groups and resources have been designated to help ensure YBS borrowers have access to a stable source of credit. River Valley uses the USDA Ag Census Data to measure our market penetration in the YBS segment. As a percentage of total farms, River Valley’s market share strongly correlates with the (2017) census data as shown below:

 2017 Census Data River Valley Demographic

Young farmers 14.24% 15%

Beginning farmers 46.48% 29%

Small farmers 92.94% 63%

The proposed regulation requires Farm Credit bank oversight including review and approval. Including this additional layer of oversight adds little value to the YBS strategic plan. Territories covered by a funding bank are very widespread, diverse, and unique. AgFirst has no involvement into River Valley’s YBS program, and would be able to provide little insight into what River Valley’s territory’s needs. As you know, each association has unique characteristics with their culture, commodity types and manners of conducting business. Therefore a standardized program administered by FCS banks cannot appropriately serve the YBS borrower within each association. In fact the success of serving the YBS segment is because each association independently develops their lending programs and uniquely provides their financial services to meet these borrower’s needs. River Valley recognizes that this segment of borrower has unique needs, and they are vital to the future growth of our Association.

Therefore, River Valley established a YBS program that has an allocated pool of funds designated for financing only YBS loan requests. River Valley also developed a real estate loan program strictly for YBS borrowers. We utilize our Preferred Lender status with the Farm Service Agency (FSA) to assist YBS borrowers in obtaining FSA direct loans and guarantee loan programs. River Valley also promotes the use of the Kentucky Agriculture Finance Corporation’s loan programs for YBS farmers.

Another key component to supporting YBS borrowers is through the financial assistance to YBS organizations and programs. This includes sponsorships to the local YBS Farmer Chapters, FFA Chapters, 4-H Chapters, State Young Farmer Conferences, agriculture departments at the local Universities, along with numerous agriculture events at the local and state level. River Valley also promotes future YBS farmers by providing college education scholarships for students with an agriculture major as well as a summer intern program for Ag majors.

The additional requirement for associations to prepare a 3-year YBS strategic plan, prepared and approved separately from the business plan already required would be redundant, and unnecessary. YBS borrowers should be considered in the context of the whole business and, as such, included in the overall business plan. If successfully prepared and executed, a comprehensive business plan will address all plans to attract, retain and facilitate the success for all eligible borrowers in the lending territory. Successful YBS borrowers may one-day no longer be considered YBS borrower. A comprehensive business plan should therefore already consider all borrowers – both YBS and those no longer meeting YBS definitions. Separating the business plan and an YBS strategic plan would inherently create inconsistences or redundancy and thereby reduce the effectiveness of both. As a smaller Association, staff involved in the creation of the comprehensive business plan would also share responsibility to prepare the proposed YBS strategic plan. Resources that may otherwise be available to engage in ongoing YBS development and support would be diverted to preparation of an YBS strategic plan.

River Valley AgCredit has participated in dialog across the System and has provided input and comment to the letter which will be submitted by the Farm Credit Council on behalf of the entire Farm Credit System. We fully endorse and support this letter.

In conclusion, River Valley AgCredit has a strong commitment and incentive to serve YBS farmers and ranchers. These borrowers are critical to our mission, our business plan, and our future. We have effectively collaborated with System and non-system partners to create, adapt, and improve YBS programs to advance the interests of YBS borrowers.

The regulations, as proposed, would not accomplish FCA’s well-meaning intentions to improve service to YBS borrowers. In fact, in our view it would do just the opposite. Additional administrative burden to prepare an additional strategic plan outside the comprehensive business plan could create misalignment with the overall business plan. Required approval and coordination with the funding bank would limit existing collaboration and innovation that occurs throughout the entire system. Elements of a rating system would create the unintended consequences of programs being designed, maintained, and

continued based on the ’score’ achieved through the rating system rather than the effectiveness of the program or needs of YBS borrowers. In short, as a small to mid-size association, we have concern with excessive planning and administering getting in the way of implementing and doing, which is the ultimate goal. We acknowledge the interest and support FCA shares in advancing YBS efforts. We applaud those efforts and share in the common goal to advance YBS borrowers as the future of our Association through other means than the Proposed Rule.



David Richesin, Chairman of the Board

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Kyle M. Yancey, President/CEO