August 15, 2022

Autumn R. Agans
Deputy Director, Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Re: Notice of Proposed Rulemaking – 12 CFR Parts 614 and 620 – RIN 3052-AD54; *Loan Policies and Operations*; 87 Federal Register 36261-36266

Dear Ms. Agans:

I appreciate the opportunity to comment on the Farm Credit Administration's ("FCA") Proposed Rulemaking regarding Loan Policies and Operations as published in the June 16, 2022 Federal Register (the "Proposed Rule"). As an elected director on the Farm Credit Illinois ("FCI") board, I currently serve as board chair and as a representative for the AgriBank district on the Farm Credit Council ("FCC"). These roles as well as being a member-borrower who relatively recently transitioned off the path of a young, beginning, and small agricultural producer ("YBS producer") all help to give me perspective on the Proposed Rule. As such, I am writing to express my concerns as an individual that the Proposed Rule will not augment the Farm Credit System's ("FCS" or "System") ability to serve YBS producers. I agree with and support the comments submitted by both Farm Credit Illinois (from Robert H. Rhode) and the Farm Credit Council (from Todd Van Hoose), and I support FCI and the FCC's request that FCA withdraw the Proposed Rule.

Mr. Rhode in his comment letter sent on behalf of Farm Credit Illinois so aptly describes the YBS efforts of FCI—largely through its "FreshRoots" program—that I will not restate it all. Some of the highlights are that FreshRoots helps young and beginning farmers through reduced interest rates, relaxed lending standards, reimbursement of fees for USDA FSA loan guarantees, and up to $2000 of cash incentives for participation in educational programs developed in-house. For the purpose of FreshRoots, FCI extends these benefits to 'young' borrowers all the way through age 40 as of the loan application date, but continues to identify 'young' farmers and ranchers as defined by FCA when reporting its YBS data. It is of note that while some 'small' producers do not currently qualify for the FreshRoots program, many do as a result of also meeting the definition of either 'young', 'beginning' or both. Furthermore, FCI feels that both its traditional and its scorecard loan programs address the needs of those small producers who do not meet the definition of either 'young' or 'beginning'.

The FCI board, management, and employees are extremely proud of the FreshRoots program since its inception in 2018. The data Mr. Rhode shared illuminates a wildly successful YBS program which incurs significant expense, human capital costs, increased credit risk and a lower net interest margin for the association. The impetus to help YBS producers—in spite of these costs—comes from grassroots feedback from our member-borrowers at our regional Member Advisory Council meetings conducted annually. Our members, especially those who do not qualify for the FreshRoots program, give ubiquitous support to our YBS efforts through our FreshRoots program. They realize it is a succession and sustainability issue for agriculture. It is this continued directive from our members that guides FCI's ambitious efforts, not any FCA regulation.

It is my belief that the Proposed Rule would have a chilling effect on System YBS efforts, especially those that are currently more ambitious such as our FreshRoots program. In my preliminary discussion with fellow System directors of direct lender associations regarding the Proposed Rule, the thought was the undisclosed rating system indicated in the Proposal Rule would cause associations to attempt to mitigate year-to-year variance in collected YBS data so as to avoid negative growth and possible adverse regulatory consequences. Essentially, why take a chance and be aggressive in supporting YBS this year when that may only make the numbers for the next year look worse?

Additionally, this Proposed Rule runs counter to recent comments by FCA board members regarding merger activity. In his conclusion to his October 14, 2021 *Statement on the Small Association Presentation* given at that day's FCA board meeting, FCA Board Member Jeffery Hall asked: "Do we have a role or even an obligation to look internally to determine whether we could be contributing unduly to this trend?" I would submit, yes. My experience has been that both our funding bank and FCA have talented and dedicated employees working for them. But neither has employees that would work for free in order to supervise our independent YBS strategy or evaluate our YBS progress via a currently undisclosed rating rubric. Hence, this Proposed Rule would further contribute to regulatory costs for direct lenders that will drive smaller associations into more merger activity. Furthermore, in his *Statement on the Merger Applications Review* from the November 18, 2021 board meeting, FCA Chairman and CEO Glen R. Smith stated that " A principle of cooperative structure is local control." Of the seven Rochdale Principles that guide cooperatives around the world, this principle is not one of them as evidenced by FCA's *The Director's Role: A Guide to Leading Your Institution Effectively.* If it were, this Proposed Rule would run counter to local control due to the unduly regulatory costs that it creates. The leadership of FCA cannot slow merger activity on one hand while also enacting costly regulations such as this one.

Advancing the YBS mission within the System would be served best by the FCA utilizing the proverbial carrot rather than the stick. Continuing to utilize existing well-considered, decades-old regulations and policies along with continued dialogue with the System would be a much better approach than new unduly burdensome regulations. Additionally, FCA already is able to offer the System updated guidance through two FCA documents currently in existence (the annual FCA publication titled “Frequently Asked Questions and Step-by-Step Instructions for Preparing Young, Beginning, and Small Farmers and Ranchers Report” and the FCA Bookletter BL-040 Revised). Both documents allow FCA greater flexibility to implement future guidance and updates via bilateral dialog with the System.

For at least the reasons stated herein, I request that FCA withdraw this Proposed Rule as I respectfully contend the Proposed Rule will not improve and may inhibit the System’s ability to serve YBS producers.

I appreciate the opportunity to comment on the Proposed Rule in spite of its incomplete status from the lack of disclosure of the aforementioned rating system. Furthermore, I support the comments made by Todd Van Hoose on behalf of FCC and Robert H. Rhode on behalf of FCI. I trust that our comments as well as those submitted by other System stakeholders will assist the FCA in reflecting on the Proposed Rule. Thanks again for your consideration. Please do not hesitate to contact me if you have any questions or would like any additional information.

SINCERELY,

David A. Haase

DAVID HAASE