



**Farm Credit Services
of Mandan**

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August 15, 2022

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

Re: 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:

On behalf of Farm Credit Services of Mandan (FCSM), we appreciate the opportunity to comment on the Farm Credit Administration's (FCA) Notice of Proposed Rulemaking regarding Loan Policies and Operations (YBS Proposed Rule or Proposed Rule) that was published in the Federal Register on June 16, 2022.

While we certainly understand and support the motivation behind the Proposed Rule, we are concerned that the rule, if implemented as drafted, would not achieve the FCA's stated objective to increase direct lender associations' YBS activity. FCSM respectfully requests that the YBS Proposed Rule be withdrawn as we disagree the agency's rulemaking will enhance the FCS's ability to serve its YBS customer and better fulfill its mission.

A withdrawal of the Proposed Rule would allow for continued discussions between the FCA and FCS institutions on developing more meaningful methods of communicating the already robust efforts to lend to YBS farmers and ranchers. FCS institutions would support the FCA in the development of additional tools and more flexible risk parameters for extending loans and making investments on both an individual and portfolio basis. Unfortunately, the current Proposed Rule only adds administrative burdens that will cost time and money that would be better utilized through direct support for those YBS customers.

FCSM has already made several changes to our YBS loan programs over the last several years as we realize the importance YBS farmers and rancher's success plays in the future of our nation's agriculture. We are proud to have:

- Increased our operating loan limit per customer from \$200,000 to \$500,000.
- Increased intermediate term loan limit per customer from \$250,000 to \$500,000.
- Increased real estate loan limit per customer from \$300,000 to \$500,000.
- Increased length of time we offer a reduced operating rate from 3 years to 5 years.
- Implemented a formal graduation scale of interest rate after the 5 years on operating loans of 0.50% per year until they meet their qualified tier, so their rate does not dramatically change from one year to the next.
- Increased allocation of YBS program funding, especially on real estate loans (\$15MM to \$30MM).

The Farm Credit System

- Lowered spreads across the board on fixed rate YBS loans.
- Reduced fees for Tax & Records for YBS producers.
- Relaxed underwriting standards on YBS loan approvals.

As you can see, FCSM is currently serving our YBS farmers and ranchers in a variety of ways. In addition to all these tangible items, we also help our YBS producers in many ways that are not easily quantifiable. We have several examples of YBS program activities and success stories. Take this story of a young, female rancher as an example.

One of our customers began as a 19-year-old aspiring female rancher attending college at Dickinson State University in western North Dakota. While she was pursuing her Farm and Ranch Management Degree, her father unexpectedly passed away. He left her a 40% share in the ranch, but some other family members owned the other 60% and wanted to sell their portion to turn it into cash. She did not want to quit college, but also wanted a chance to operate their ranch in the future. We wrote her a 25-year loan with a low fixed rate for \$850,000 to buy out the remaining shares. I will note that this is an exception for loan size outside our typical loan program limit and shows our continued flexibility and willingness to take a risk on YBS producers in our assigned loan servicing area without further proposed regulation.

She made payments on the loan by renting the land to an uncle until she could graduate from school. While she did meet the solvency/net worth and collateral parameters credit standards, she didn't meet several credit standards including liquidity/working capital and Capital Debt Repayment Capacity. We took a risk on her to give her a chance to continue her family's ranching legacy and because it was the right thing to do when her own family refused to help her. This is just one of the many stories in our small association of how we are helping our young and beginning farmers and ranchers get started.

FCSM wholly supports the comment letter that the Farm Credit Council filed on behalf of the entire Farm Credit System. The Workgroup put in extensive thought and research to cover the key issues associated with the Proposed Rule. We echo their concerns and would like to highlight a few of our top concerns below.

First, the current Proposed Rule only adds administrative burdens that will cost time and money that would be better utilized through direct support for those YBS customers. FCSM is a small association and the additional business planning and reporting requirements in the Proposed Rule are burdensome and expensive to implement. Especially when there is no clear and direct benefit to YBS producers. Adding regulator reporting requirements will require our staff to spend more time writing reports and less time with YBS customers and prospective customers.

Next, FCA states that a "rating system" is a key component of the FCA's proposal, yet no information relating to this "rating system" is included in the text of the proposed rule itself. Accordingly, the agency must put the details and specifics of the rating system itself out for public comment. While we have no way to know the content of the anticipated (but not disclosed) rating system, such a "rating system" would appear to constitute a central part of a substantive rule that would impose substantial obligations and costs on FCSM. The FCA should not proceed with the rule without publishing the proposed details of the rating system and allowing public comment.

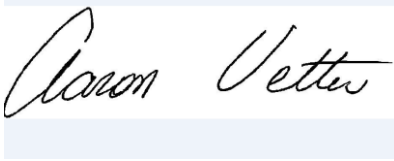
Finally, FCSM is concerned about the application of the YBS rating system. The FCA has not described within this proposed rule those elements it believes result in a successful YBS program. What constitutes a successful YBS program is unique to each Farm Credit institution's territory, and those elements and their success vary widely depending on the potential YBS populations and the diverse agricultural opportunities that exist across the American agricultural landscape.

Perhaps the most important elements of a successful YBS program are not measurable through quantitative data, but rather qualitative elements such as institutional support, staff knowledge, educational programs, and similar activities. These widely differing factors from territory to territory and institution to institution only serve to complicate a funding bank's responsibility to evaluate and approve each YBS strategic plan of its affiliated associations. These qualitative measures are best evaluated through a comprehensive view of an institution's YBS program through the examination function, as it is currently completed. It is this ongoing dialogue and exchange of ideas between FCA examiners and FCS institutions that has continued to result in increased activities and improved results over time.

In conclusion, FCSM is deeply committed to supporting young, beginning, and small producers. We appreciate the opportunity to comment on the Proposed Rule and to present some of our concerns for your consideration. FCSM respectfully requests that the YBS Proposed Rule be withdrawn as we disagree the agency's rulemaking will enhance the FCS's ability to serve its YBS customer and better fulfill its mission.

Please do not hesitate to contact me with any questions.

Sincerely,

A handwritten signature in black ink that reads "Aaron Vetter". The signature is written in a cursive style and is contained within a light blue rectangular box.

Aaron Vetter, Chief Executive Officer
Farm Credit Services of Mandan