

August 15, 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:

Golden State Farm Credit (“GSFC”) 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”).

GSFC is dedicated and committed to serving the YBS borrowers and support the future of the agriculture industry. We are fully aligned and share in FCA’s vision to meet the unique needs of YBS borrowers and to establish programs to ‘*furnish sound and constructive credit and related services to YBS farmers and ranchers.*’ In addition to providing feedback on the Proposed Rule, we would like to highlight our programs for and achievements of our YBS borrowers.

Golden State Farm Credit’s outreach and marketing plan is geared to help the next generation of farmers and ranchers with dependable credit and financial services. At GSFC, we are very dedicated to serving the YBS producers in our territory. Our YBS program allows for concessions in collateral requirements, fees, interest rates, balance sheet requirements, and repayment capacity requirements.

In the past three years, GSFC has actively worked to build strong relationships with trade groups, such as county Farm Bureau Young Farmers and Ranchers (“YF&R”) groups, and local community colleges’ and state universities’ agriculture departments. In addition, GSFC participates in the California Farm Credit Alliance (“Alliance”), which includes other California Farm Credit Associations and CoBank.

Every year, GSFC creates a Business Plan, which includes a section devoted specifically to the YBS and Tomorrow’s Farmer programs. The key components of our YBS program includes:

### **Youth Lending Program**

This year, the Association is offering a new Youth Lending Program (“YLP”) that will provide zero-interest loans to 4-H, FFA, Grange and Independent livestock exhibitors who reside in one of GSFC’s territories. The program includes:

- Interest-free financing for youth livestock projects for qualifying students within project limits
- Easy application process - students are required to maintain a C average in school
- Educational workshop that discusses finances and budgeting

## **Educational Workshops**

The team at GSFC commits time every year to hosting YBS & Tomorrow's Farmers workshops that provide informational on the services we offer to county YF&R groups and college agriculture finance and appraisal classes. The topics for the workshops include: record keeping, financial statement preparation, budgeting, financial management, and other related topics.

## **Sponsorships and Donations**

GSFC provides financial contributions to YBS farmers' efforts, including support of 4-H and FFA programs, junior livestock events, internships, and related programs. Through the partnerships with the Alliance, the Association is able to pool its resources in an effort to increase the impact and broaden its outreach efforts with the YBS community. Some of the programs supported through the Alliance include:

- Center for Land Based Learning:
  - SLEWS (Student and Landowner Education and Watershed Stewardship)
  - FARMS Leadership (Farming, Agriculture and Resources Management for Sustainability)
  - Beginning Farm and Ranch Management Apprenticeship Program
  - California Farm Academy – provides beginning farmers with the knowledge, technical skills, business competency, and resources to grow in a farming career
- California FFA
- California Young Farmers and Ranchers Leadership Conference
- Farmer Veteran Coalition
- Latino Conference

## **College Internship Program**

Each year, we host two to four (2-4) college-aged students as part of agriculture finance and appraisal rotational internship program where students will learn about all aspects of the ag lending and appraisal processes. A portion of the internship includes a session about the YBS program to educate the students about programs available for their demographic.

## **County Fair Junior Livestock Auctions**

The Association provides financial support and financing to eight Junior Livestock Auctions in the Association's territories. Additionally, the Association helps staff the auctions and fairs as well as serving as mentors to youth involved in livestock projects.

## **Scholarships**

The Association is committed to awarding a substantial amount of scholarship monies annually to students in the Association's territory who meet the criteria set up for the program. Students applying for a scholarship must meet the minimum GPA requirements, live in the Association's territory, be entering college full-time in the fall and declare an agriculture major. Scholarships will be awarded to graduating seniors and students who are currently enrolled in a college agriculture program or trade school. Also, we have scholarships awarded directly to the three state universities in our territories. The Association also supports agriculture scholarships through industry association events and college agriculture programs.

Here are some of our YBS success stories:

- A young high school student was hoping to join the family business after graduation, but his family moved the business out of state, and he opted to stay in California. He began working during the day and farming 40 acres of rice of his own at night in Butte County. He has since grown and diversified his operation to over 6,000 acres that are farmed and custom-farmed. GSFC has been able to provide financing for an operating loan, several equipment loans, and multiple real estate purchased as customer has continued to grow and build up a substantial net worth.
- A new YBS borrower financed a piece of equipment for their farm related service business in the timber industry in Shasta and Tehama counties in 2019 after not having any luck working with local community banks. Since this time GSFC has been able to provide financing for two other equipment purchases and a line of credit. Borrower has been able to increase their net worth over 250% in only three years.
- A YBS borrower in Kings County purchased 18 acres of grapes with a GSFC real estate loan in 2019. Since this initial loan the customer has been able to purchase two other properties with financing from GSFC and expand and diversify their operation to also include almonds and pistachios.

### **YBS Strategic Plan and Portfolio**

GSFC has a formal sales and marketing approach to our YBS program that's supported and evaluated by the Association's management team regularly and reported to the Board of Directors on a monthly basis. The ongoing evaluation of outcomes and potential redirection of resources is part of the regular review process and if we need to pivot the process, the management team has full support of the Board to make those changes.

The Association's Board of Directors established a policy providing for the special credit needs for YBS farmers and ranchers within the Association's territory. This includes minorities, women, and veterans. As a further enhancement to meet this objective, the Association has established an additional program, referred to as "Tomorrow's Farmer Loan Program (TFLP)" to meet both the mortgage and commercial credit needs of customers who may not otherwise be eligible for normal financing under the Association's existing credit standards.

The Association recognizes applicants may not meet all the credit criteria as expected from established farmers. The updated Association's policies and procedures reduce hurdles to provide credit to all eligible, creditworthy YBS borrowers. The Association's staff makes a concerted effort to coordinate a credit package, with an appropriate level of risk to the Association, while meeting the credit needs with the TFLP and YBS program options. It is essential that all loan controls, conditions, terms, etc. be thoroughly reviewed with each borrower at loan closing. Periodic reviews to monitor terms, payments, and progress towards stated goals are encouraged. By properly monitoring these credits, the Association is rewarded by seeing the young, beginning, and small borrowers' progress to meet the requirements of our standard loan programs.

## Feedback on Proposed Rule

At Golden State Farm Credit, we are fully committed to serving the YBS community, but the additional requirements in the Proposed Rule would create an administrative burden for an Association of our size and other similarly situated System organizations. GSFC has under 100 employees in five (5) different locations throughout California. We are an efficient team whose key focus is to provide excellent customer service to our customer-owners. The requirements set forth in the Proposed Rule would hinder our ability to do so because we would struggle to have resources to build, implement and maintain the “strategic plan,” performance assessments, and other regulatory requirements.

If the Proposed Rule is withdrawn, GSFC would be open to the opportunity to participate in a joint FCA-System institution work group dedicated to the development of new YBS requirements and/or standards that make sense for both FCA and the System institutions it regulates.


Golden State Farm Credit 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.

We appreciate the opportunity to participate in the Loan Policies and Operations rulemaking process.

Sincerely,



Mike Fry  
Chairman of the Board



Rob Faris  
President and CEO