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August 15, 2022

Ms. 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 36261-36266

Dear Ms. Agans:

The Board of Directors of Central Texas Farm Credit, ACA (the “Board”) appreciates the opportunity to comment on the Farm Credit Administration’s (“FCA”) Notice of Proposed Rulemaking regarding Loan Policies and Operations that was published in the *Federal Register* on June 16, 2022 (“YBS Proposed Rule”).

Although we totally agree with the goals of the YBS Proposed Rule, we do not believe that it adds anything to accomplish these goals. It actually limits our association’s ability to serve our young, beginning, and small farmers and ranchers (YBS) by diverting resources away from outreach efforts toward increased operating costs and administrative workloads.

We, therefore, fully support the comments made by the Farm Credit Council (“FCC”) on behalf of Farm Credit System institutions (“System”) in response to the YBS Proposed Rule. In addition, to those comments, the Board submits the following comments for your consideration.

We understand that YBS programs are vital to our future growth and overall sustainability. To encourage YBS borrowers to enter or stay in agriculture, we administer a scholarship program for graduating seniors in our area pursuing a college degree, and we sponsor specific programs in our territory that target YBS borrowers, such our local 4-H and FFA chapters.

#### **Increased Administrative Burden and Limitations on Resources**

Creating an independent YBS strategic plan, requiring coordination with other organizations that serve the YBS community, providing documentation for our funding bank to

rate and approve our program each year will take an exorbitant amount of time, effort, and financing without adding any value to our YBS outreach. Central Texas Farm Credit is a small association, and we only have resources for a handful of key employees to have the direct responsibility to ensure the association remains in good standing with all rules, regulations, and federal and state laws. Our remaining employees are tasked with directly interacting with our borrowers to ensure their financial needs are met as directed by the farm credit mission. The YBS Proposed Rule requires these few employees to either stretch themselves even farther or our association to hire additional employees to meet the new administrative requirements. The additional cost of increasing our staff to implement the proposed rule will limit the resources, both financial and personnel, available to enhance our YBS program and our ability to provide services to our YBS communities. Our time and personnel will be used to create independent YBS strategic plans, coordinate with other organizations, and compile data to be rated by our funding bank and the FCA. In our opinion, this would be a very poor, inefficient, use of our limited resources.

### **Independent YBS Strategic Plan**

The YBS Proposed Rule requires associations to prepare a three-year YBS strategic plan that is outside of our three-year strategic business plan that already addresses our YBS program. However, the FCA did not detail any benefits an independent YBS plan would provide that our current strategic business plan does not, and why the FCA has the belief we do not use actual results to set goals and to develop future years YBS strategies. Our YBS program is an integral part of our strategic business plan and currently includes a review of our YBS portfolio from the previous year using census information from the United States Department of Agriculture and our YBS program goals for the current planning period. This business plan is approved by us before being submitted to our funding bank for its review and approval. We believe the needs of our YBS community should be considered within the context of the over-arching business plan so that we create a comprehensive strategic business plan that encompasses how to attract, service, and transition with the needs of all of our borrowers. YBS is not just one section of our business plan, but it is woven through many different areas aimed at efficiently attracting, servicing, and retaining borrowers in our chartered territory. In our view, creating an independent strategic YBS plan will only cause a disconnect from the strategic business plan and unavoidable redundancies of information.

The proposed due date of YBS strategic plan at the end of January is problematic. Our few personnel would be forced to take time away from implementation of any YBS outreach and the many other year-end items due at the end of January (including internal and external audit, closing the books, and drafting the strategic business plan) to create the YBS strategic plan. In our opinion, this additional strain on our administrative and human capital to create a separate YBS strategic plan does not align with the stated goals of the FCA YBS Proposed Rule.

## **Coordination with other System, Government, and Private Institutions**

We are committed to providing services to our YBS community and often coordinate with other organizations to further reach YBS borrowers. The proposed requirement for associations to coordinate with other organizations would likely eliminate the ability for us to create innovative and custom campaigns to meet our goals. Especially since the proposed rule is unclear on how much coordination with other organizations is acceptable and how funding banks should evaluate the level of coordination between organizations. We would feel compelled to coordinate with organizations even if their goals and programs were not the best for our YBS borrower.

Other associations in our district often have different goals and outcomes for their YBS programs than we do. While we are open to joining YBS programs created by other associations in our district, we review those campaigns to ensure they align with our YBS goals and the needs of our YBS communities before joining. For example, the Farm Credit Bank of Texas has created a scholarship program to financially assist students majoring in ag related subjects. After evaluating this program, we joined because it supplemented our scholarship program and allowed us to help support ag related studies outside of our territory. While coordination with other organizations may reach more YBS borrowers, it does not necessarily mean coordination will increase YBS lending for each participating association and this could hurt our YBS program rating.

## **Increased Responsibilities of Funding Banks**

One of the stated objectives of the proposed rule is to “provide elements that will be evaluated as part of a rating system to measure year-over-year YBS progress...” Regardless of the obvious lack of any details about how the rating system should be structured, the YBS Proposed Rule also states that funding banks must use this rating system to determine the effectiveness and progress of an association’s YBS program. Any effort to rate an association’s YBS program would lead the funding banks to create a one-size-fits all scorecard for the direct lenders in their district. We strongly believe that any type of rating and approval system will unintentionally lead associations to mold their YBS programs to fit the rating system, so that their programs are highly rated, instead of doing what is best for their YBS borrowers. We do not believe that our funding bank is in a position to identify and understand the needs of our YBS community. Our funding bank’s territory covers the entire states of Texas, Alabama, Louisiana, Mississippi, and parts of New Mexico. The needs of YBS borrowers in Central Texas are vastly different than YBS borrowers in Alabama or Louisiana. This, again, will not help achieve the FCA’s stated goals for the proposed rule.

## **General Comments**

The YBS Proposed Rule does not provide any additional tools to help our association broaden our YBS program, and it does nothing but add to our operating and administrative costs.

As stated in the objectives of the proposed rule, “the rating system will allow FCA to compare the success of the direct lender associations to its peers ...” This objective confirms that the reason for this proposed rule, is not to provide system institutions with increased ability to grow their YBS programs, but to provide the FCA an easier way for the FCA to review and organize data from across the nation. We understand that gathering, tracking, and evaluating qualitative and quantitative YBS data is challenging. For instance, if we host an FFA outreach event, and 6 months, or even two years, later, a friend of an attendee of that event approaches us to begin a relationship. How are we to track the tie between that FFA event and our new YBS borrower? What if the new YBS borrower came to us after attending several of our outreach efforts aimed at different YBS borrowers? It would be impossible to clearly assign that successful outreach to a particular event or program. And then how would we, or our funding bank, measure the effectiveness of the event or program?

The range, scope, and effectiveness of grassroots YBS programs are difficult to rate, especially using the current methods employed by the FCA. We understand that the FCA would have difficulty showing that the data received from the System proves that the System is furthering the YBS mission with what looks like inconsistent data. However, we ask the FCA to focus on improving and refining the current methods to help the System communicate the effectiveness of their YBS programs.

## **Conclusion**

We appreciate the FCA’s review of the existing regulations for opportunities to increase direct lender associations’ YBS activity, however for the reasons set forth in the FCC comment letter and stated above, we do not support the YBS Proposed Rule as currently presented.

Accordingly, we respectfully request that the FCA withdraw the YBS Proposed Rule, and alternatively, we request an opportunity for System representatives and industry experts to further meet with the FCA to explore possible improvements that could be made to existing regulations to accomplish the stated goals of the YBS Proposed Rule.

Thank you again for the opportunity to comment on the YBS Proposed Rule, and we hope that our comments, as well as those submitted by the FCC and other System institutions, will assist the FCA in reevaluating the YBS Proposed Rule.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Robby A. Halfmann  
Chairman of the Board of Directors  
Central Texas Farm Credit, ACA