



August 12, 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:

Lone Star, ACA 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").

General Comments

Lone Star has long recognized and embraced a YBS program as a critical part of the Farm Credit mission, and a critical part of our business. Lone Star's mission is committed to supporting the credit needs of YBS farmers and ranchers by providing resources for these borrowers to begin, grow, or sustain their agricultural operation. These resources include flexible loan program and underwriting standards, while also maintaining the Association's risk appetite. Lone Star has committed to maintaining a solid balance of YBS producers and promote lending to this segment in the Association's territory using all tools available while maintaining a sound and balanced penetration of YBS loans, as outlined in the Association's three-year business plan.

Additionally, Lone Star focuses on outreach and marketing efforts designed to identify, engage and educate diverse YBS audiences. Through social media, our website and territory wide events, Lone Star connects and educates potential and existing young, beginning, and small farmers, ranchers, and new landowners about the mission we serve and financing we provide. Efforts include sponsorship and participation in outreach events; scholarships and other education opportunities, like the TCU Ranch Management Program; support for youth livestock events; support and participation in agricultural and outdoor conservation efforts and education.



Through efforts like this we continue to build new relationships within the agricultural community, while demonstrating the comprehensive mission of the Farm Credit System ("FCS" or the "System").

As outlined above, our directors and management share FCA's passion for the future of agriculture; however, the Proposed Rule, as written, does not add a clear benefit to the YBS program, and only adds business planning and reporting requirements that are burdensome and expensive to implement. Lone Star fully supports the comment letter submitted by the Farm Credit Council ("FCC") on behalf of FCS institutions in response to the Proposed Rule and wishes to emphasize, and add, the following comments, which are of elevated concern to Lone Star.

Farm Credit Bank Oversight

The Proposed Rule revises §614.4165(b) to require funding banks to adopt written policies that direct their affiliated associations to establish an annual YBS strategic plan that addresses specific components to be submitted to the funding bank for review and approval. The stated purpose of the revision is to "reinforce the supervisory responsibilities of the funding banks". As mentioned in the FCC letter, the language in the Farm Credit Act was directed at a Farm Credit System that was structured and operated much differently than today, and therefore must be interpreted differently. The appropriate role for the funding banks was determined to be, and should remain, gathering YBS data from their affiliated associations and reporting the consolidated district data to FCA. As previously determined, funding banks are wholesale in nature and are not in a good position to evaluate the YBS programs of its affiliated direct retail lenders.

As mentioned in Farm Credit Bank of Texas comment letter, The Proposed Rule encourages the funding banks to become more involved with their affiliated associations' YBS programs. This goal puts associations at a disadvantage because the funding bank will have to choose which YBS programs to become involved with, and how to become involved without direct knowledge of Lone Star's territory, outreach efforts, and customer base. Additionally, for the Texas district, Farm Credit Bank of Texas would be required to become more involved in YBS activities where there is over-chartering, that could directly impact the relationships between associations and the funding bank and be viewed as preferential treatment, or not viewing YBS programs fairly based on association size and specific territory.

Rating System

Also outlined in the FCC comment letter, the Proposed Rule raises serious procedural concerns under 5 U.S.C. §553 by failing to provide text on the proposed "rating system" to which FCS institutions could offer comment. The stated purpose of the proposed regulation is to develop standards that will be used by the agency in a rating system of indeterminate content and effect. 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 System institutions obviously have no way to know the content of the anticipated rating system, such "rating system" would appear to constitute a central part of a substantive rule that would impose substantial obligations and costs on the System institutions.

Despite the centrality of the rating system to the FCA's proposed YBS rule, FCA has not provided the public any sense of what such a rating system would look like or how it would operate. Without additional information, it is difficult to assist the agency in identifying concerning components of a rating system to proactively address and prevent unintentional consequences. The agency has offered an incomplete opportunity for public comment on what is a key component of the proposed rule. The FCA should not proceed with the rule without publishing the proposed details of the rating system and allowing public comment.

Based on the information presented above, we respectfully request that the Proposed Rule be *withdrawn* as we disagree that the agency's rulemaking will enhance Lone Star's ability to serve its YBS customers and better fulfill its mission.

A withdrawal of the proposed rule would allow for continued discussions between the FCA and Farm Credit System institutions on developing meaningful methods of communicating the existing efforts of Farm Credit System institutions in this mission and ways to continue with the collaborative efforts currently being undertaken across the Farm Credit System. Lone Star 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.

Thank you again for the opportunity to comment on the YBS Proposed Rule, and we hope that our comments herein, 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,

A handwritten signature in blue ink, appearing to read "Joe Hayman", is written over a light blue horizontal line.

Joe Hayman

Chief Executive Officer