AgCREDIT

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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

Ag Credit ACA ("Ag Credit"), on behalf of its membership, 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").

Ag Credit supports the positions taken by Ag First Farm Credit Bank and the Farm Credit Council with regard to their general comments and the specific comments on the Proposed Rule.

Ag Credit is part of the Farm Credit System and operates primarily in eighteen (18) counties in northwestern Ohio. As noted by the Council in their comment letter, System institutions are cooperatives and increased compliance costs are borne directly by our member borrowers.

Ag Credit expends significant resources with respect to our YBS activity. As set forth below, those efforts, without the administrative burdens and costs required under the Proposed Rule have been in place for years now and have resulted in significant gains for our Association in terms of YBS activities and loans. (We will detail those activities and gains below.)

Ag Credit understands the goals behind the Proposed Rule, we believe that the rule, if implemented as drafted, would increase our administrative burden required under the Proposed Rule and would not achieve the FCA's stated objective to increase direct lender associations' YBS activity.

Ag Credit respectfully requests that the Proposed Rule be *withdrawn*, as we disagree that the Proposed Rule will enhance our ability, or that of the System as a whole, to serve its YBS customers and better fulfill its mission.

AG CREDIT YBS Programs and Results

AgCredit recognizes that in order to meet our stated mission, stay relevant, and succeed in our chartered territory that outreach and support of YBS producers is required. We have added multiple programs and invested significant resources to help us meet the unique and evolving needs of YBS producers. We continue to review and update our current programs while we look for ways that we can add value to YBS farmers. The starting point for our efforts is our Ag Start Advisory Committee.

Ag Start Advisory Committee –

Ag Credit has had for years, and will continue to have, a strong focus on young, beginning and small farmers. Per our current Board approved policy Ag Credit's stated mission is:

> "Ag Credit will provide stable credit and leadership resources to nurture young, beginning and small farmers for their long term success. Ag Credit will work to engage, educate and support these specific groups. We will focus on building, nurturing and maintaining lifetime relationships for all types of agriculture, including emerging markets."

In furtherance of that mission Ag Credit has an Ag Start Advisory Committee (we refer to our YBS programs as "Ag Start") with a defined purpose as set forth in policy, as follows:

"Purpose

- To provide direction and guidance, on an association-wide basis, to the Ag Credit board of directors and executive management team regarding issues addressing young, beginning, and/or small farmers.
- To provide direction and guidance to the Ag Credit board of directors and executive management team as to what types of programs leadership and management should consider providing to help address short- and long-term issues affecting young, beginning and/or small farmers.
- The committee shall serve as an ad hoc committee to the board of directors."

This Committee reports to our Board of Directors. The Committee is comprised of YBS producers with each of our branches providing not less than two candidates for their region. Committee members meet regularly and participate in various educational programs, such as Tomorrow's Top Producer and the Executive Women in Agriculture conference as well as partnering with the Ohio Farm Bureau Federation and the Ohio State University Extension and Ohio State University College of Food, Agriculture and Environmental Sciences for various programs throughout the year.

Ag Start Loan Programs --

Ag Credit created specific "opportunity to succeed" loan programs for young, beginning and small farmer applicants. Two of the specific credit programs consist of:

Ag Grow Loans -- Operators

These loans were designed for YBS farmers who are making their first or second time farmland purchases or first or second contract livestock building purchase. The enhancements offered by the Association for this program include, but are not limited to:

- No minimum Owner Equity or Current Ratio requirements.
- Expanded flexibility on loan to value requirements including up to 97% loan to value requirements with a government guarantee. Ag Credit will obtain and pay for the guaranty for the YBS borrower.

- Minimal down payment requirements with up to 100% financing depending on collateral.
- No loan origination fee or other in-house fees required. Outside fees may be paid by the Association.
- Can be combined with the Farm Service Agency ("FSA") Beginning Farmer Down Payment programs.

Ag Grow Loans (Non-farm operators – Ag Start landlords)

These loans were designed for farmers who desire to purchase farmland to continue or expand their family farm legacy and/or for a long term investment in our rural communities. The enhancements offered by the Association for this program include, but are not limited to:

- No minimum Owner Equity or Current Ratio requirements.
- Extended repayment terms.
- No loan origination fee or other in-house fees required. Outside fees may be paid by the Association.

Ag Start Results –

Since the inception of the AgStart loan programs we have originated almost $200,000,000 in Ag Start loan volume. Participation in our AgStart programs has increased from $3,363,260 of volume originated in 2015 to $54,641,818 of loan volume being originated in 2021.

YBS Volume –

As of June 30, 2022 we held the following YBS loan volume:

- Young - 3,640 loans with an aggregate volume of $508,554,013
- Beginning - 3,625 loans with an aggregate volume of $479,529,328
- Small - 8,612 loans with an aggregate volume of $795,055,439

Ag Credit also partners with third parties in our chartered territory to deliver financing options and programs for YBS eligible producers. Those programs include our participation with:

- The Ohio EPA Water Pollution Control Loan Program
- The Ohio Agricultural Linked Deposit Program
- FSA Interest Assistance Programs
- FSA Beginning Farmer Down Payment Loan Program
- FSA 50/50 Participation Loan Program
- FSA Loan Guaranty Program (allows for small down payments for YBS)
- Nationwide Insurance Land is your Legacy program (succession planning)

Section Analysis:

Proposed § 614.4165(c) - Direct lender association YBS strategic plan

The Proposed Rule requires associations to prepare a 3-year YBS strategic plan, prepared and approved separately from the business plan already required. Currently, when our annual business plan is completed we include our YBS initiatives, budget, goals, risk management, marketing, and reporting requirements for the Association's YBS programs. We consider YBS to be integral to and a core part of our Business Plan. If as suggested, associations were to have a separate business plan for YBS we would potentially either be forced to ignore the practical reality that our YBS program needs to include risk management or duplicate much of that information from our Business Plan. In addition, we would need to dedicate limited resources to a duplication of efforts by creating a separate YBS strategic plan that would already be an integral part of our annual business plan. None of these efforts help FCA, or our Association in meeting the goal of expanding our YBS outreach and YBS loan volume.

To segregate YBS from the Business Plan simply creates additional burden and creates risk by creating the opportunity for inconsistencies between the Business Plan and the YBS Strategic Plan.

The Proposed Rule also requires associations to assess the effectiveness of providing credit and services. The Proposed Rule further states the Strategic Plan should discuss how an association's YBS planning and program efforts result in new and expanded YBS borrower operations and how the credit is being provided to these customers. To track, monitor, and directly report on our efforts, beyond our current reporting, would be a resource intensive effort which would be susceptible to highly subjective interpretations of what is "successful".

By example, as noted above, we offer scholarships and other training opportunities to our YBS members and potential members. The Proposed Rule suggests that the proposed YBS Strategic Plan must monitor, record, track and report that information. If we send 30 members a year to a Tomorrow's Top Producer training and one of the participants becomes a member, or takes out a new loan, we would have to determine what reporting is required for that one member and track the activities of the other participants for years.

As well, the success of any YBS program and placing a loan with a YBS applicant is open to significant interpretation. How would we, as an association, determine if a YBS loan was made because we sent someone to a YBS program versus, we had the better rate or other terms than another lender? Our experience would suggest that while awareness in the market and relationships are important, with younger members rates and technology are an increasing part of what drives the success in making those loans.

Our existing loan systems would not currently support such reporting and therefore would need to be altered to record such data. In addition, our audit and review departments will have to ensure this segment is included within their plans. Further, obtaining this data would be a challenging and inconsistent way to measure progress towards our YBS goals. We currently report on our YBS loan volume and other metrics. There is no tangible benefit to be realized by the implementation of the mandates suggested by the implementation of a separate YBS strategic plan and the proposed additional reporting.

Proposed § 614.4165 (d)(1)(ii)(B) – Coordinating with other governmental and private sources

The Proposed Rule requires "Coordination with other System institutions in the territory and other governmental and private sources who offer credit and services to YBS farmers and ranchers." One interpretation of the Proposed Rule would seem to suggest that associations are required to coordinate their YBS activities with their competitors. For our association, we are significantly over-chartered with another large association. Currently, we have a good and cooperative relationship with that association. That relationship includes agreements on concurrence and participations, both purchases and sales. However, our working relationship does not include the sharing of resources or concepts for our next generation of members.

A regulatory requirement that we coordinate our efforts for a key portion of our business, YBS members, with our primary competitor, or other competitors, in our chartered territory, is untenable and would potentially damage our association and our members. YBS members and our marketing and other efforts directed to those potential members are key to our Business Plan. A quick review of our Business Plan would reveal the focus we place on YBS members. No association should be required to coordinate their YBS programs with their competitors.

We do already collaborate with other system institutions that are not our direct competitors, including our funding bank and other associations within and outside of the AgFirst District. As indicated earlier, YBS members currently represent a substantial portion of our business and in our view are key to our continued success. We have, with organizations that are not our competitors, every reason to collaborate and idea share with those System and non-System institutions. Among the reasons for this collaboration would of course be to better compete for YBS members with the competitors that are within our territory.

As to other governmental sources that provide credit in our territory we have the same opinion, we should not be required to coordinate activities with our competitors. However, for those third parties who offer services or other benefits for our members in our territory, we already collaborate with those organizations. By example, we currently work with the Farm Service Agency ("FSA") with respect to their guaranty and other programs. As indicated above, part of our Ag Start program includes FSA guaranties or other credit enhancements to foster participation by potential YBS members in our Ag Start programs.

Farm Credit bank oversight

We believe that we, and all the associations that are the direct lenders, are in the best position to determine our YBS program needs. Our funding bank does not currently have the expertise to provide guidance or strategic review of YBS programs *in our territory* (northwest Ohio) and we would not want to see our Bank expend the funds to have the resources to do so. The AgFirst District encompasses a diverse geographic area with diverse agricultural practices and needs. By example, but not limitation, we believe that the YBS needs and best practices for Puerto Rico Farm Credit and our association would vary greatly. As well, the same could easily be said for the YBS needs of Farm Credit of Florida, or Georgia and our association. Many, albeit admittedly not all, of the needs of our members are different in northwest Ohio than the needs of the members of the associations in Puerto Rico and the southern United States. We see this in part due to our participation and collaboration within our District. However, to require our funding bank to acquire and develop the resources to review and approve the diverse YBS needs of the associations in the AgFirst District creates administrative burdens and additional costs with no perceivable benefit to YBS farmers and ranchers in our District.

Ag Credit currently collaborates with the Bank, and our District Associations, on marketing which marketing includes YBS. We evaluate the shared ideas and we decide what works best in our market and we measure the results of those YBS efforts and report those efforts to our Board. As noted above, we do this as a part of our Business Plan and out of business necessity. We recognize that we need to connect with our next generation farmer to stay in business. We do not need oversight from our funding bank as has been suggested, as we believe such oversight would only take time and resources away from the collaboration efforts currently sponsored by our funding Bank and create no real value for our Association or our members.

Conclusions

We currently have a strategic plan for our YBS growth, it is an integral part of our annual Business Plan. A separate strategic plan, only for YBS is unnecessary, and would increase the administrative burden to our association for the required development, auditing and reporting on such a plan.

As indicated above, Ag Credit has a documented focus, and proven results, of meeting the needs of our YBS producers. Our current efforts have yielded the desired results, without the administrative burden that would be placed upon us, and every association and funding bank, under the Proposed Rule. As a smaller association, we have concerns with the proposed additional burdens preventing us from going forward with our current YBS marketing plan and goals.

Coordination with other over-chartered institutions or other "sources" of credit, in our territory, also adds administrative burden, and potentially harms our ability to be competitive with those institutions. Those institutions are our competitors and with all due respect, it is not in the proprietary interest of our current members, YBS or otherwise, or our future YBS members, to collaborate with our competition. We would not reasonably expect non-System institutions, with no regulatory requirement, to meaningfully collaborate with us for the next generation farmer.

Please do not hesitate to contact us should you have questions or concerns.

Sincerely,
Ag Credit ACA

By: Brian J. Ricker
Its: President and CEO