FARM CREDIT COUNCIL

August 8, 2022

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

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 System ("FCS") institutions, Farm Credit Council ("FCC") appreciates 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.

FCS institutions have long recognized and embraced young, beginning, and small farmer and rancher ("YBS") programs as a critical part of the mission given to them by Congress to ensure the financial success of YBS farmers and ranchers and the future of agriculture in the United States ("YBS Mission"). Moreover, the agricultural producers that serve on FCS boards of directors demand that those institutions take an active role in fostering success for the next generation of agricultural producers. The directors and management of FCS institutions share the FCA's passion for the future of agriculture, and we recognize the critical need for new producers to enter the industry and build economically sustainable agricultural operations that will feed an increasing population around the world and contribute to the economic success of our nation.

To better analyze the complexities and wide impact of the Proposed Rule and prepare a comment on behalf of all FCS institutions, FCC assembled a multi-disciplinary workgroup ("Workgroup") of experts from FCS institutions who met over the course of several months to review and discuss the FCA's discussion draft, Prepublication Copy of the Proposed Rule, the Proposed Rule, existing regulations, and relevant FCA-published materials. FCC also regularly apprised FCS leadership regarding its efforts regarding the Proposed Rule, including multiple calls with Farm Credit System regulatory professionals to solicit and garner feedback as to the development of its work product. A draft comment letter was circulated to all FCS institutions for review prior to submitting this final version to FCA.

In summary, the comments in this letter reflect general perspectives on the Proposed Rule, as well as specific comments on specific provisions of the Proposed Rule, based on FCC's review of the Workgroup's inputs, the inputs obtained from others in the FCS, and its review and consideration of relevant authorities. 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.

Based on the review performed and the feedback received, FCC respectfully requests that the Proposed Rule be withdrawn as we disagree the agency's rulemaking will enhance the FCS'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 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.

I. <u>Background & Introduction</u>

The collective efforts of the FCA staff, FCA Board, and FCS institutions over the past several years ensured the successful implementation of YBS programs that provide sound and constructive credit and related services to YBS farmers and ranchers. The FCS's ever-increasing number of loans and volume of loans to YBS farmers and ranchers are tangible evidence of that success.

According to FCA's own annual reporting, over the last 5 years, the FCS significantly grew its lending to YBS operations, notwithstanding the downturn in the agricultural economy and the effects of the pandemic. From 2016 to 2020, FCS institutions provided an additional 280,296 new loans to young farmers, 376,658 new loans to beginning farmers and 691,194 new loans to small farmers, for a total of $51.9 billion, $75.2 billion, and $74.2 billion, respectively. In addition, over the same time period, FCS institutions also increased their total outstanding loan volume to young farmers by 21% ($5.8 billion), to beginning farmers by 28% ($11.9 billion) and to small farmers by 23% ($10.9 billion).

We appreciated the March 24, 2022, session in Ft. Collins, Colorado to collectively discuss the FCA's then-discussion draft of the Proposed Rule. FCS directors and employees, including many employees with direct responsibility for serving YBS farmers and ranchers, offered their initial perspectives on the proposed rule. The overwhelming concern raised by FCS attendees that day was why a new YBS rule is necessary. An FCS director summarized it best when commenting that she could not identify what the rule was designed to accomplish on behalf of YBS farmers and ranchers. Other participants commented similarly, noting that the additional business planning and reporting requirements in the draft proposed rule are burdensome and expensive to implement, with no clear benefit to YBS farmers and ranchers. A front-line FCS institution YBS program practitioner explained that additional regulatory reporting requirements would require her to spend more time writing reports, leaving less time to spend with YBS customers and prospective customers.

Following that session, FCA Chair Glen Smith communicated to Farm Credit institutions on April 1, 2022, highlighting "two major takeaways" from the session in Ft. Collins, including:

- "Each Farm Credit institution has a unique, customized approach to YBS, depending upon its region of the country, its size, staffing, type and diversity of enterprises, etc.
- "All System institutions — particularly the smaller ones — are concerned about the additional burden that a YBS rule may place on human capital resources".

We very much appreciate Chairman Smith's comments on these two important concerns and would respectfully suggest, upon further review by our Workgroup — including the fact the Proposed Rule did not further evolve from the discussion draft — that the rule is trying to solve a problem that simply does not exist.

In the preamble to this Proposed Rule, the FCA states that *"The purpose of the proposed rule is to increase direct lender associations' Young, Beginning, and Small farmer and rancher (YBS) activity and reinforce the supervisory responsibilities of the funding banks, authorized by section 4.19 of the Farm Credit Act."* The FCS fully supports the FCA's goal, however, this Proposed Rule does not provide any additional means for accomplishing this goal. As a result, the FCA has put the FCS in a no-win situation of arguing against this proposed rule that fails to provide meaningful improvements in achieving a goal in which we are all united.

Further, the stated goal to *"reinforce the supervisory responsibilities of the funding banks"* is misleading. The appropriate role of the funding banks was fully considered during the rulemaking process for the current regulations—with the FCA correctly concluding that the relationship between the funding bank and its affiliated associations had evolved along with the delegation of direct lending authority (making loans directly to farmers and ranchers) from the banks to the associations. The appropriate role, then and now, for the banks was determined to be the gathering of YBS data from their affiliated associations and reporting the consolidated district data to the FCA. Further, the conclusion that the banks were not in a good position to evaluate the YBS programs of its direct lender affiliated associations was the correct one at that time and remains the correct position today. Nothing has transpired since the promulgation of the existing regulations to suggest that increasing the banks' supervisory role over its affiliated associations' YBS programs would add value or serve to increase YBS activities.

Lastly, the timing for proposing these burdensome rule changes could not be worse. The current lending environment makes this proposal particularly ill-timed. FCS institutions are currently in the process of absorbing several finalized agency rulemakings, including Standards of Conduct (which goes into effect Jan 1, 2023), and other anticipated regulatory changes involving Collateral Evaluation and Cyber Risk Management. In addition, FCS institutions are grappling with the implications of high inflation, rising interest rates, supply chain disruptions, tight labor markets, geopolitical unrest, avian flu, severe drought throughout a large swath of the U.S., lingering COVID impacts, and the increasing probability of a coming recession.

II. <u>Exclusion of the YBS Rating System From the Proposed Rule</u>

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. Where proposed "agency action trenches on substantial private rights and interests," it is a substantive rule that must be subject to notice and comment, *see, e.g, Mendoza v. Perez*, 754 F.3d 1002 (D.C. Cir. 2014) (citation omitted); *Electronic Privacy Information Center v. DHS*, 653 F.3d 1 (D.C. Cir. 2011). The agency must provide the text of the proposal and allow the affected industry and the public at large to comment on it. 5 U.S.C. § 553(b). 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 FCS institutions obviously 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 the System institutions. Such substantive rules are subject to APA notice and comment requirements. *See* 5 U.S.C. § 553(b).

Despite the centrality of the rating system to the FCA's proposed YBS rule, the FCA has not provided the public any sense of what such a rating system would look like, how it would operate, and whether and how it would affect the rights and interests of FCS institutions and other affected persons. 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. *See, e.g., AT&T Corp. v. FCC*, 970 F.3d 344, 350-51 (D.C. Cir. 2020) (inclusion in preamble is not sufficient to satisfy APA notice and comment requirements).

Thus, the more that the rating system has an impact on the rights and interests of FCS institutions, the more likely it is subject to notice and comment requirements of the APA. Even apart from legal concerns for notice and comment, disclosure of the terms of a rating system is in the interest of both FCS institutions and the FCA, as it will allow full consideration of any practical and workability concerns with both the substantive standards and the rating system and how they will work together. The FCA should not proceed with the rule without publishing the proposed details of the rating system and allowing public comment.

III. <u>Disclosure of Rating</u>

System institutions are concerned that the anticipated rating system will result in a regulatory regime that has substantial, real-world effects on regulated institutions. For instance, when the FCA last proposed a rating system, it proposed making those ratings available to consumers. *See* 69 Fed Reg. 16460 (March 30, 2004) ("The agency continues to believe that some form of disclosure of direct lender associations' YBS ratings, combined with the required YBS reporting and disclosure requirements in this final rule, will provide the public with a sound understanding of each association's YBS compliance and performance and will also help the FCS better fulfill its YBS mission.”). Public disclosure of an institution’s YBS rating could be misconstrued by the public and potentially harm an institution’s reputation and customer relationships. Other potential external uses of the assigned rating could similarly implicate the rights and interests of regulated institutions.

Absent some advance notice of *how* the agency intends to develop, implement, and possibly disclose this rating system, FCS institutions cannot fully and meaningfully comment on the FCA’s proposed rule. Merely providing content that would be evaluated as part of a rating system, without actually describing the rating system or its operation, deprives regulated institutions of an opportunity for meaningful response.

IV. Application of the YBS Rating System

FCA states in the preamble to this proposed rule that “the direct lender association’s funding bank will approve each YBS strategic plan, annually. The direct lender association’s YBS strategic plan must contain specific elements that will be evaluated as part of a rating system to measure year-over-year internal progress. The rating system will enable the FCA to compare the success of the direct lender association’s extension of credit and services to the YBS borrowing population to its peers both within and outside its bank district.”

The FCA has not described within this proposed rule those elements it believes result in a successful YBS program. The FCS maintains that 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. While measuring the success of YBS programs is a valid objective, the limited availability of market share data can make this objective impractical and inaccurate at best on a real-time basis. Data regarding the population of current and potential YBS farmers and ranchers in a given territory is not readily available in most locales and is not gathered with sufficient frequency. Many institutions utilize the results of a survey completed by the USDA every 5 years.

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.

The FCA’s examination of YBS programs has been in place for many years, with no evidence of associations and banks not providing the FCA with ample information for effective oversight. By their own account, FCA examinations have consistently found that association YBS programs support and further the YBS mission.

Implementing a rating system has the unintended consequence of encouraging all YBS programs to look alike to get the best rating rather than encouraging creative solutions for very unique territories. This potentially limits how YBS producers are served rather than meeting their very unique challenges with creative solutions for fear of a poor rating.

Given the lack of guidance in the Proposed Rule, it is unclear whether the rating will be based on unrealistic expectations that performance must continue to increase year-after-year. Such an expectation may not be sustainable in the volatile and cyclical agricultural industry. For example, would an association's YBS educational program need to involve more participants each year or have ever increasing budgets? Measurable returns may not be known for years, if at all, and emphasis should be on the impact and value added, not on arbitrary metrics and dollars spent, which may not be easily quantified.

V. Section by Section Analysis

§ 614.4165 Young, beginning, and small farmers and ranchers.

(a) Definitions.

No concerns or comments on the proposed definitions.

(b) Farm Credit banks oversight

All FCS banks and associations are united in the belief that the associations are best positioned to determine their own YBS program needs for their agricultural communities. FCS banks do not have local "boots on the ground" or the expertise to provide guidance or strategic review of YBS programs in their districts. FCS banks lack the necessary local market knowledge of each association's local territory to meritoriously evaluate and determine "best practices." They also lack direct visibility to YBS borrowers in order to know their needs/wants. Creating this requirement would cause the banks to invest in costly new resources to study each association's marketplace and YBS demographics, with questionable added value.

A review of an association's YBS program by both the FCA and the funding bank could lead to confusion at associations due to misinterpretation of the requirements, or due to different judgments cast on the results or success of the association's program. Again, such judgments would be more consistent if they continue to be made by the primary regulator and not by the funding bank.

The Farm Credit Act was written at a time when the FCS's structure and relationship between the funding banks and associations was much different from today. The FCS's structure has evolved since that time from funding banks having direct lending authority at the bank level and direct involvement in the lending activities of its affiliated associations, to its current state of debtor/creditor relationships, with strong independent associations that manage their own lending programs within the operating parameters established in their General Financing Agreements with their funding bank. This evolution was recognized by the FCA when promulgating the existing YBS regulations by recognizing that the associations were in the best position to determine the most effective means to serve YBS producers in their respective territories. The FCA specifically acknowledged that direct lender associations should be provided "maximum flexibility" to develop YBS programs with minimal involvement by the supervisory banks. The following is an excerpt from FCA's preamble to the existing regulations: *"Since 1980, when section 4.19 was first included in the Act, the relationship between the funding banks and their affiliated associations has significantly changed, with the associations operating much more independently from their funding banks. Although the rule retains the statutory directive for associations to establish their YBS programs under the policies of their funding banks, in recognition of the autonomy with which associations now operate, we have kept the bank policies to a minimum, as discussed earlier. Moreover, we agree that Congress intended YBS programs to be developed by the System lenders who have the most knowledge of their territories. We have, therefore, developed this section to allow each direct lender association maximum flexibility in creating a YBS program that takes into consideration the economy and demographics of its territory, as well as its risk-bearing capacity. In so doing, the YBS rule is consistent with congressional intent to allow each association to design a YBS program that best fits the needs of its lending territory."*

To add back the supervisory bank's review and approval of its associations' YBS strategic plans ignores the evolution of the FCS and creates administrative burdens and additional costs with no perceivable benefit to YBS farmers and ranchers. The Proposed Rule states that funding banks can use the knowledge acquired during their oversight to encourage associations to enhance their YBS programs through best practice sharing. Funding banks either have coordinated YBS workgroups within their respective districts to promote the sharing of ideas and best practices in serving YBS farmers and ranchers or have taken steps to collaborate amongst themselves to find ways to advance initiatives to benefit YBS farmers and ranchers. Again, the proposed rule suggests solving a problem that does not exist. The administrative burden imposed by this proposed regulation would only take time and resources away from those efforts currently sponsored by the banks while creating duplicative efforts in districts where the associations take the initiative themselves.

Sharing of best practices is only valuable when an association is able to adapt and adopt those best practices for their unique territories. Given varying demographics of each association's YBS borrowers, as well as individual association resources, it is highly questionable whether each association can adapt and adopt these best practices, when to do so may be impractical (if not impossible) nor beneficial to YBS borrowers. Adoption of "best practices" as determined by the funding bank may have the unintended consequence of compelling all the ACA's in the District to have very similar YBS programs rather than encouraging creativity in meeting local YBS customer needs. A uniform approval process and rating system may encourage "homogenization" of strategic plans in the FCS that may be less effective at meeting the unique needs of YBS producers in each local market. Associations may target the rating as the objective, rather than crafting unique plans that may be more effective but don't score very well in the rating system. Accordingly, if the FCA moves forward with this rule, we respectfully request eliminating the additional supervisory bank responsibilities from the rule.

Proposed § 614.4165(b)(1)(iii) – any other information deemed necessary

The proposed requirement for *"any other information deemed necessary by the bank"* is too vague and arbitrary, and therefore burdensome to both the banks and associations as they try to navigate what may be necessary. Each of the four funding banks may be inconsistent in what information they require and could be criticized for not going far enough in their collection of "any information deemed necessary by the bank" related to each association's YBS program. This can be influenced by each institution (bank or associations) having different personnel involved that may exert differing opinions relative to the requirement.

What information should banks find necessary for individualized YBS programs? Would the banks be expected to create a single standard for all affiliated associations? This would be problematic because each association's YBS program needs are different. Banks would potentially have to create separate policies for information deemed necessary for each association, which would be extremely burdensome. Again, this would potentially result in templates to better capture data and outcomes, which would take away from the unique creativity of each Association to achieve the best results in their territory. While this section does not mandate the banks to ask for more information, in application, the banks will be scrutinized for not asking for such information.

Putting the Bank in a position where it must support programs which may be successful in one association, but not workable in another to be involved with or increase supervision would create the perception amongst the associations of preferential treatment where a bank is involved in one YBS program and not others. This could ultimately damage the relationship between associations and the banks.

Proposed § 614.4165(b)(1)(iv) - reporting

Continuing with the current data reporting requirements to provide a "complete and accurate" report of YBS activity needs no change. But if the goal is for the banks to provide subjective criteria that can be subject to FCA critique, this objective becomes impractical and nearly impossible as the banks lack the necessary expertise and knowledge of local YBS markets and have virtually no understanding of the needs of local YBS customers. Therefore, the banks are not in a position to subjectively opine on the achievements of affiliated direct lender associations.

Proposed § 614.4165(b)(3) – internal controls

System banks and associations have made significant investments in internal control processes over all data integrity (including YBS data). So, to what extent are additional specific controls required for YBS related data that are not already covered in comprehensive internal control policies? The banks should be able to rely on the internal controls at the association level to ensure accurate report information. Associations should have audit and review processes in place to identify coding errors. Instead of requiring banks to have additional internal controls, using unnecessary resources, the banks should be able to rely on the existing internal controls structure of their respective associations, and can monitor corrective actions over data integrity when relevant. Again, expectations for additional internal controls only adds to administrative burdens and costs that detract from direct service to YBS producers.

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

Currently, when institutions complete strategic plans, this process necessarily includes an assessment of past performance as a basis or starting point for forward-looking objectives and targets. Additionally, given that the board of directors approves a YBS plan with goals, association management teams should be periodically reporting progress towards achieving the set goals to the board of directors. This enables the board and management to address any variances or areas of deficiencies timely, and not just during the annual planning process. Further, past performance is currently reported annually to the FCA through the funding banks and disclosed to shareholders in accordance with the existing regulation. Rather than creating another reporting requirement regarding YBS program performance, the FCA could simply require the disclosures to shareholders be reported to FCA in a format usable to the agency, such as through the Call Report System or the Report of Accounts and Exposures (Loans2 database). Continued improvements in data consistency can be achieved through established FCA/System workgroups to provide FCA with the data deemed necessary for assessment and reporting to Congress. No additional regulatory requirements are necessary to achieve reporting on past performance.

Requiring a separate YBS strategic plan would result in duplicative resources with those responsible for business plan (particularly marketing plan) development. Marketing, supporting, engaging, and use of resources for a YBS program are inherently a segment of an association's business plan. The goal to continue to support the farmers and ranchers requires any association to include their YBS program as a significant component of strategic planning. Therefore, a separate, independent planning document is both unnecessary and duplicative. FCS institutions do not need a separate document to increase the importance of YBS lending for the FCS. Additionally, the plan is already completed in conjunction with the annual business plan, so adding the 30-day requirement is redundant and unnecessary. Year-to-year plans do not change drastically and therefore, this requirement would create an unnecessary strain on resources. Much of this work is already completed during the business planning process; therefore, maintaining the current state of including the YBS plan as part of the overall business plan provides for YBS producers to be considered as part of the whole business plan objectives, as they will ultimately not be YBS at some point.

In a rapidly changing credit and local agricultural market, it is difficult to determine with any level of accuracy what an effective plan will be 2-3 years out. An annual assessment is more relevant within the annual business planning process. Most likely, the changing environments will require annual amendments to a 3-year rolling plan rather than simply having an annual YBS plan.

The proposed rule also requires the strategic plan to assess the effectiveness of providing credit and services, including discussion of how the association's YBS planning and program efforts are resulting in new and expanding YBS borrower operations and how credit is being provided to these customers. To track, monitor, and directly report on this effort will be a resource intensive effort. Not only will systems have to be altered to record such data, to ensure accuracy, the audit and review departments will have to ensure this segment is included within their plans. Further, obtaining this data may be a challenging and inconsistent way to measure progress towards achieving goals—which is of greater concern if the agency is planning on including this segment within their rating system.

Proposed § 614.4165 (d)(1)(iii) – Marketing, Outreach, and Education

This requirement raises several questions for FCS institutions. How is the effectiveness of outreach programs determined? Is this determination made by the association's board of directors, or association management? And would the banks now be asked to make this determination? Would this potentially deter collaboration with outside partners offering great education offerings? Would associations need to offer a program themselves rather than coordinating with a marketing partner/financial supporter, or utilizing an existing program offered by a partner organization? The FCS's business planning efforts already incorporate marketing, outreach, and education to a very high degree. Often these are the shining stars of the YBS program; therefore, creating a new requirement specific to YBS programs is considered redundant and burdensome.

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

Associations should not be measured by their effectiveness in coordinating with "other governmental and private sources" to support their YBS program because the associations have no control on the effectiveness of such programs. An association may coordinate and refer to these programs, but if they are ineffective, the association has no strategic input or control over how to improve these resources for YBS. Simply counting "referrals" to an ineffective program does nothing to improve YBS lending activity.

Much of the System success in coordination with government sources relies heavily on the Farm Service Agency. Accordingly, we would propose delaying further changes to FCS YBS requirements until after 2023 Farm Bill, which hopefully will include changes to FSA programs being recommended by the Farm Credit Council that would make them more useful for serving YBS producer needs.

Coordination is currently occurring in most areas across the country, but it can be very sensitive in areas with over-chartered territories. The current environment in the FCS encourages healthy collaboration for associations to better each other and the programs. The proposed rule potentially encourages competition, not collaboration. Disagreements may occur between associations in regard to what they consider "Best Practices" and may force the funding bank to choose what ideas/plans have merit and/or result in a "better" rating.

Proposed § 614.4165(d)(2) – Quantitative Goals

This section requires associations to "establish annual quantitative goals for credit to YBS farmers and ranchers based on an understanding of ***reasonably reliable demographic data*** (emphasis added) for the lending territory. Direct lender associations must identify the sources of data used to establish the goals." These new requirements raise several questions for FCS institutions. While the associations must identify the sources of data, will FCA examiners ultimately determine whether the data is "reasonably reliable"? Will associations be expected to validate the data for their territory (i.e. evaluate the validity of USDA survey data)? Again, this raises significant concerns for time and resources. Will data reliability or demographic data source be used as criteria in the rating system? If so, how would FCA achieve consistency in this evaluation and how would "data reliability" be measured?

Associations must identify sources of data used to establish the goals. So, what are FCA's expectations for acceptable "sources?" Could this "source" simply be internal data records for the association's YBS activity, or is market and/or demographic data from third parties expected to be the reliable "source" of data? Would use of USDA surveys, which may be as much as 7 years old be considered reasonably reliable? Or would associations be expected to contract with third parties to gather "reliable" demographic data during interim periods?

Additional quantitative goals also increase the potential for compromises to be made to existing programs that are effective in order to meet targets. There would be no incentive for associations to set aggressive targets which possibly may not be met if the result were a lower FCA rating for not meeting the targets.

VI. Conclusion

In summary, FCS institutions are deeply committed to supporting young, beginning, and small producers. We appreciate the FCA's attention to this important mission and pledge to work with the Agency to provide timely and accurate information on our YBS programs. We are proud of FCS's demonstrated success in YBS lending, made possible only by persistent and expansive outreach efforts to YBS producers and those who may become YBS producers.

We appreciate the opportunity to comment on the Proposed Rule and to present some of concerns of FCS institutions to FCA for its consideration. For at least the reasons stated herein, we request that FCA withdraw the Proposed Rule as we respectfully disagree the Proposed Rule will enhance Farm Credit's ability to serve its YBS customers and fulfill its mission.

We trust that our comments, as well as those comments submitted by System institutions, will assist FCA in its consideration of the Proposed Rule. If you have any questions, please do not hesitate to contact me.

Sincerely,

Todd Van Hoose

President and Chief Executive Officer