

July 27, 2022

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

Re: Note of Proposed Rulemaking – 12 CFR Pats 614 and 620 – RIN 3052-AD54; *Loan Policies and Operations*; 87 Federal Register 36261-36266

Director Agans:

The Board of Directors of Idaho AgCredit (The Board) 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 (Proposed Rule).

In this letter we would like to line out our interest and our successes in serving YBS producers and how we do not believe the Proposed Rule as written provides value or accomplishes its objectives. We believe that the increased administration and regulatory burden will have the opposite effect by redirecting resources from serving YBS to burdensome reporting and administrative work, especially for small associations.

The Board honors FCA's commitment to The Farm Credit System's YBS mission and joins FCA in this commitment to ensure Idaho AgCredit fulfills its important role to provide sound and constructive credit to YBS producers.

Our seven member board includes six producers who are also Idaho AgCredit borrowers. Many of the board members are part of multi-generational operations that include young and beginning producers. Small producers are our neighbors and associates. All of the board members are astutely aware of the unique challenges that YBS producers face. The board strongly believes in the association's mission to provide sound and constructive credit and related services to YBS farmers and ranchers.

The Proposed Rule identifies four objectives: 1 – Increase direct lender association's YBS activity, 2 – reinforce the supervisory role of the funding banks, 3 – require adoption of an independent strategic YBS plan by each association, 4 – provide elements that will be evaluated as part of a rating system.

Objective 1: We are in support of increasing direct lender association's YBS activity. We continually encourage our association staff to attend conferences, trainings, and to collaborate together to share best practices and fresh ideas. We do not believe the other objectives of the Proposed Rule will increase YBS activity. As mentioned in the Proposed Rule, FCA recently co-hosted a national forum on serving YBS farmers and ranchers. This was a well-attended and highly productive event. A reoccurring forum every couple years hosted by FCA would be an effective way to increase direct lender YBS activity.

Objective 2: We disagree that funding banks are in a unique position to increase their involvement in our YBS programs. CoBank is not involved in retail YBS lending and is not in a position to provide insight and oversight to each association's unique lending environments. Their current role is limited to determining that our program contains all required components (614.4165(d)). In our opinion, their current role is within their scope of knowledge and facilitates FCA's regulatory role. Expanding CoBank's involvement is beyond their area of expertise and will not provide value to our YBS producers.

Objective 3: The proposed rule requires the adoption of an independent YBS plan. Our YBS program is already a key component of our business plan. In our opinion, separating this component is redundant and disconnects the program from the overall business plan. Our business plan establishes a strong structure to fulfill our YBS mission and provides a report of the results of our quantitative goals. Additional reporting and regulation will only increase our administrative load and not provide actual value to YBS producers. As an example, our YBS specialist who leads the creation and implementation of the YBS component of the business plan actively manages a portfolio with many YBS producers. He also consistently works to prospect new YBS clients and helps facilitate the same efforts across the association. More time creating redundant plans and reporting takes away time from developing actual YBS relationships.

Objective 4: It is our opinion that the implementation of a rating system will stifle innovation and creativity by incentivizing programs that 'check a box' and score well but arguably aren't the best or most creative option. The results of many YBS programs and outreach efforts are extremely difficult to quantify and can be quite subjective. A review of YBS loan portfolio numbers compared to demographic data may be the best metric available. Even then, it needs to be evaluated within the context of each association's lending environment. We operate within a competitive environment and the free market is sufficient to incentivize creativity and progress.

As seen by the YBS results reported in our annual report and business plan, we don't see evidence that supports the need for increased regulation. As a farmer owned cooperative we have an inherent interest in investing in the future of agriculture through YBS lending and outreach activities. Our district already meets frequently to share YBS practices and the Farm Credit Council Services hosts a bi-annual YBS conference with the same purpose. All of this occurs without regulatory mandate. Idaho AgCredit has been in business for 88 years because we have invested in the next generation. We will continue to serve and invest in YBS producers for the next 88 years and beyond.

We applaud FCA's efforts to accomplish our shared YBS mission. We encourage FCA to reevaluate the actual consequences of the Proposed Rule and how, as outlined above, it may detract from providing meaningful value to YBS borrowers. As a small institution we are devoted to fulfilling our role in supporting YBS producers to promote and secure the future of U.S. Agriculture.

Respectfully Submitted,

On behalf of the Idaho AgCredit Board of Directors

  
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Ken Black, Chairman of the Board