

September 15, 2022

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

Re: Notice of Intent; Request for Comment on the topic of regulatory burden dated July 20, 2022

Dear Ms. Agans:

As the Board of Directors of Idaho AgCredit we appreciate the opportunity to comment on the regulatory burden that the Farm Credit Administration imposes on our small Association. Below you will find bullet points that we would like you to consider as you strive to provide regulatory relief so that more of our resources can be used to serve the farmers and ranchers in our territory rather than meeting regulation that is not consistent with our size, complexity and risk to the Farm Credit system.

- Audit planning, audit depth and an extensive risk assessment exhaust significant resources at our Association, District Bank and FCA. Imposing a one size fits all Audit expectation uses substantial resources that is unnecessary. Proportionate focus for audit activities should be applied.
- Standard Exam and Horizontal Exams exhaust our staff members with the lengthy time commitment and depth of the review. Exam scope based on size, complexity and historical exams should be applied. Horizontal exams should be integrated into the standard exam.
- Exam manual is too extensive for a small institution with very little discretion allowed by supervisors of the exam teams.
- The recent approach FCA has conducted on Enterprise Risk Management, Model Risk Management, etc. are examples of regulatory burden on a small Association. Very little of the content of the exam manual in these areas allows for considerations to be made for a small institution.
- The current proposal on YBS oversight is full of regulatory burden. A rating system would be burdensome.
- Our Board meetings have become so full of regulatory review and checking boxes for FCA examiner's "best business practices" that we have to extend meetings to assist with the actual business part of our Association. We recommend a limited hands on approach for low risk institutions.
- FCA examiners have been highly critical of our top ten loans based on a percentage rather than being willing to look at actual credit quality and associated risk in those top ten loans as the exam manual directs. The FCA examiners stance of selling and purchasing loans to keep the top ten percentage down is not necessarily always a good business practice and frequently adds risk to our portfolio. Additional risks are associated with participations purchased along with increased expenses to service these loans. Many considerations have not been, but should be, applied in the oversight of our top ten portfolio. This has been regulatory burden for some time and has impacted the net income and capital retention for our small association.
- We believe there is regulatory burden in the System as it relates to FCA's examination of the Farm Credit Funding Corp and the District Bank that trickles down to our Association. Many inefficiencies exist that need to be addressed so that so many resources are not used up resulting in higher allocation of FCA expenses to our institution along with the expense of oversight affecting all of us.

- During the past several years we have seen an increase in the amount of time our staff has spent meeting the demands of the Agency while at the same time our institution has been managed well and successful. Our institution provides a limited amount of risk to the Farm Credit System. Please help the FCA staff understand the Farm Credit mission and how they play a role in helping a small institution provide efficient and quality services to its shareholders. Regulatory burden exists at our Association and may jeopardize its long-term viability due to the taxing imposition it has on our human capital resources.

We are grateful for the recent attention that FCA has given the items outlined by the Small Association Group. Thanks again for this opportunity to provide input.

Sincerely,

A handwritten signature in cursive script that reads "Ken Black".

Ken Black
Idaho AgCredit Board Chairman