



October 14, 2022

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

Re: Response to Notice of Intent & Request for Comment – Statement on Regulatory Burden, Farm Credit Administration, Agency; 12 CFR Chapter VI RIN 3052–AD55; 87 Federal Register 43227-43228

Dear Ms. Agans:

Colonial Farm Credit, ACA (Association) appreciates the opportunity to comment on FCA regulatory burden as it relates to our Association. We support and agree with the comments submitted through the Farm Credit Council and are dealing with the burdens outlined in that correspondence. The items in that document describe well the challenges we have experienced. The demands created through new regulation and examination manual guidance have been especially burdensome given the high number of pronouncements during the pandemic and as we navigate a challenging labor market and a stressed economy. The new and voluminous requirements are often implemented using a “one size fits all” approach. We are a small, well capitalized, and diversified Association. We strive to operate efficiently for the benefit of our customers. A risk-based examination approach is essential for effective oversight, and we feel that this concept has been lost to a degree over the past several years.

The following highlights several of our concerns:

- Additional requirements pertaining to audit risk assessments, planning, scoping, corrective actions, staffing, and governance are extensive and focused on large institutions. FCA’s new guidance does not allow for differentiation based on the risk and complexity of Associations. Existing Association risk identification systems, Audit Committee independence and oversight, policies and procedures, and a history of good performance have been superseded in order to comply with standards that aren’t designed for smaller, low risk institutions.
- Per the Farm Credit Council letter, we have concerns regarding the issuance of Matters Requiring Attention that are outside the bounds of regulatory protocol. Associations must be able to make decisions that are in the best interest of its members and that balance risk / return objectives. MRA’s should not be used to mandate generalized “best practices” that may or may not be the best fit for a particular Association.
- Statutory Compliance Date Examinations and Horizontal Examination Activities need scoping that are based on the size and complexity of the institution. The number of Horizontal Examination Activities appear to be on the increase, with increasing scope.
- The Examination Manual appears to only address the largest institutions in the System with no guidance on how to adjust for smaller, low risk Associations.



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- It appears that the number of new and revised guidance materials and requirements have caused a strain on time and resources not only at Associations, but at FCA. The resulting environment has left less time for Examiners to review and fully assess existing risk management practices that already address key areas.
  - The increased regulatory burden has impacted all levels of the Association, from individual personnel decisions to Board Governance. The added burden has far outgrown the changes in the risk, scope and scale of our operations.
  - There is also increased regulatory burden in the Farm Credit System as it relates to FCA's examination of the Federal Farm Credit Banks Funding Corporation and the District Banks. These burdens also affect our Association. Many inefficiencies exist from outdated approaches that could be addressed quickly and easily and would reduce resource demands and improve investor and customer satisfaction.

We thank you for the opportunity to provide comment. Overall, we respectfully ask that FCA apply deeper consideration to the costs and benefits of its requirements. Recent changes have imposed disproportionate costs on smaller, low risk Associations. Without a practical, effective, risk-based approach, regulatory burdens ultimately impact the value we bring to the customers of the Association.

While we have concerns on the matters outlined above, we also want to recognize that FCA is currently working on many of these items. We appreciate the efforts of FCA's Board of Directors and senior management to identify and implement changes via an improved risk-based approach and stand ready to work with and respond to the agency to achieve this objective.

Sincerely,

Kevin Monahan  
Chairman of the Board

Paul Franklin  
President & CEO