



October 17, 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:

ArborOne, ACA (“ArborOne” or “Association”) appreciates the opportunity to comment on the Farm Credit Administration’s (“FCA”) Statement on Regulatory Burden that was published in the *Federal Register* on July 20, 2022 (87 FR 43227).

ArborOne Farm Credit is one of the smaller associations in the Farm Credit System and proudly serves 12 counties in the northeastern section of South Carolina. ArborOne appreciates Farm Credit Administration’s awareness that regulatory burden can have a significant adverse effect on smaller associations and its willingness to receive comments on those burdens. We strongly support FCA’s efforts to identify and remove regulations that are unnecessary, unduly burdensome and/or not based on law.

In this letter, we have identified several specific requirements that we find to be unnecessary and burdensome. ArborOne would also like to indicate its support of and alignment with the comment letter dated October 14, 2022 from the Farm Credit Council in response to FCA’s Notice of Regulatory Burden.

Audit Coordinator - FCA Regulation 620.30 (d)(2) requires all external auditors to report directly to the audit committee. The requirement of a secondary “independent” individual within the organization placed between an external auditor and the audit committee undermines the nature and intent of the FCA regulation and creates an undue financial burden on the association by adding additional staffing costs and time commitment.

For a small association like ArborOne that outsources all reviews and audits to an external third party, the requirement by FCA for the creation of an Audit Coordinator role is a financial and managerial burden that detracts from the value provided to stakeholders in the association. Additionally, FCA regulation 619.9270 (e) requires all external auditors to be independent of the institution to be audited, making the Audit Coordinator role a redundancy. The need for additional staff to meet this requirement raises the “cost of doing business” especially for smaller associations, ultimately reducing the available earnings which could be used to pay patronage or strengthen capital.

IT Service Provider – While each association is responsible for their own data security and integrity of their IT related systems, there should be a much lower burden of audit and regulatory oversight within districts where the funding bank provides IT as a service to their associations (as compared to districts where associations have those services in-house or contract with a non-system third party). The burden of regulatory compliance and security should be evaluated at the District Bank level and the burden of verification and compliance be held at the association level when associations are implementing all required best practices of the District Bank as a service provider.

Model Risk Management – All Model Risk Management guidance is wholly contained within the examination manual guidance provided to Regulatory Examiners with no supporting references as to where this information and standards are required by associations within regulations. Adhering to an agreed upon standard with no regulatory backing is challenging and burdensome to staff who are charged with trying to determine what level of MRM is appropriate.

Peer/Third Party Audit Review - Associations are required to conduct an external assessment of the internal audit and review program every 3 to 5 years to assess their program’s independence and effectiveness. Associations are already subject to frequent review by external auditors, internal auditors and our regulator. The addition of another review is burdensome, not cost effective and provides little value for a small, low risk association such as ArborOne.

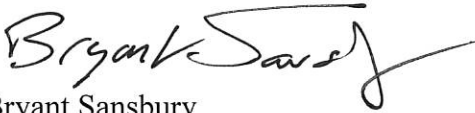
Exam Intervals – Based on the duration and depth of the exams, we believe they occur too frequently. If an association is small, financially strong and has few findings from the previous exam, the exam interval should be extended. This would allow associations, particularly smaller ones, more time to serve customers.

Re-creating a complete Credit Summary as part of due diligence on participation opportunities – FCA Regulation 614.4325(e) requires an association to reproduce a full Credit Summary (evidencing a complete analysis and independent credit decision) when purchasing a loan participation from another System institution. This is time-consuming, burdensome and redundant when the originating lender has already performed the analysis. Each institution is responsible for their loans including participations; however, a simplified credit summary or abbreviated review of the original CDA should be sufficient.

Exam Manual Changes – Based on our review, from February 17, 2022 to April 1, 2022, FCA published seven Exam Manual updates and four Exam Workpapers which collectively contained 173 pages. The review of that volume is time consuming, even when it is partially technical and grammatical updates. An FCA provided redline version of the exam manual changes would allow for a more efficient review (and response) by associations.

Thank you for the opportunity to comment on the Farm Credit Administration's ("FCA") Statement on Regulatory Burden.

Sincerely,

A handwritten signature in black ink that reads "Bryant Sansbury". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Bryant Sansbury
Chief Executive Officer
ArborOne Farm Credit