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SENT VIA E-MAIL ([reg-comm@fca.gov](mailto:reg-comm@fca.gov))

October 18, 2022

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

Dear Ms. Agans:

Re: Statement of Regulatory Burden

The Farm Credit System's (FCS) Accounting Standards Workgroup (ASWG) appreciates this opportunity to comment on the proposed rule – Statement of Regulatory Burden. The ASWG is supportive of efforts by the Farm Credit Administration to continue its comprehensive review of regulations governing the FCS and to eliminate, consistent with law and the safety and soundness of the FCS, all regulations that are unnecessary, unduly burdensome or costly, or not based on the law. In addition, we appreciate the opportunity to provide comments on the Call Report, Informational Memorandums, Bookletters, and the Examination Manual.

The ASWG's comments are separated by type and are outlined below:

**1. Call Report Requirements:**

- Evaluate call report requirements for consistency with prudential regulators. Any additional reporting requirements need to be evaluated to determine the necessity of the information. A cost/benefit analysis should also be considered when requiring additional requirements.
  - Loan Reporting – modify call report instructions to require loans to be reported on amortized cost basis only. Any modifications to the definition of loan balance creates confusion and additional reporting costs to meet differing loan definitions with limited to zero benefit.
  - Nonaccrual Reporting requirements are significantly greater under the FCA call report than the prudential regulators. The costs associated with tracking nonaccruals and modifying loan accounting systems to meet the FCA requirements are overly burdensome.

## **2. Hard Copy Report Retention**

- Consider rescinding the Informational Memorandum dated October 13, 2006, “Electronic Filing of Part 620 Regulatory Reports” that requires each institution to maintain a dated and signed hard copy of regulatory reports filed in compliance with regulation 620.
  - Electronic signatures are commonly used and electronically signed certifications should be given the same weight as “wet ink” or hard copy signatures.

## **3. Electronic Filing of Annual Reports and Annual Meeting Information Statement**

- Consider eliminating Reg 620.2(c) that imposes a requirement to receive positive confirmation from a borrower to receive electronic communication. Alternatively change the requirement so the default is electronic delivery with a required “opt-in” to receive hard copy reports which is provided at the time of equity issuance and not annually.

## **4. Permanent Capital Ratio**

- Consider removing all references to the permanent capital ratio. The FCA and other key stakeholders do not place any reliance on this ratio.

## **5. Troubled Debt Restructuring and Other Loan References**

- Beginning January 1, 2023, Troubled Debt Restructurings (TDRs) will no longer be a Generally Accepted Accounting Principle (GAAP) requirement as the accounting and reporting for loan modifications has been superseded with Accounting Standards Update 2022-02. Maintenance of the current requirements is operationally burdensome and immaterial to the financial statements and credit quality of Farm Credit entities. Changes should be made to the following in order to eliminate references to, and reporting for, TDRs:
  - FCA Reg 621.6(b) – definition of “Formally Restructured Loans”
  - FCA Reg 621.6(c) – definition of loans 90 days past due but still accruing interest as a “High Risk Asset”; note that GAAP does not require separate disclosure of these assets and they will not be assessed for individual impairment upon the adoption of the Current Expected Credit Loss (CECL) model effective January 1, 2023. Further, the concept of “impaired assets” has been eliminated from GAAP with CECL’s adoption.
  - FCA Reg 621.10 – modify references to “high risk loans” to “nonaccrual loans”
  - FCA Reg 620.10(5) – modify requirement that all high risk loans be reviewed at least quarterly to add, “to determine the collectability of accrued but uncollected income, if any.”
  - High Risk Asset Accounting and Reporting Examination Guidance – also modify accordingly to reflect above changes
  - Informational Memorandum “Accounting and Disclosure of Troubled Debt Restructurings as required under GAAP” 3/14/2011 – rescind

- FAQ “Risk Identification” – questions 24-26 are no longer applicable and should be deleted

We appreciate the opportunity to provide this input on the proposed rule – Statement of Regulatory Burden.

Sincerely,

*Karen Brenner*

Karen R. Brenner  
Managing Director – Financial Management Division  
Federal Farm Credit Banks Funding Corporation