

November 26, 2024

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

RE: *Response to Advance Notice of Proposed Rulemaking – Loans to Similar Entities, Farm Credit Administration, Agency; 12 CFR Part 613; RIN 3052- AD58; 89 FR 72759 (September 6, 2024)*

Dear Ms. Agans:

Premier Farm Credit, on behalf of its members, sincerely appreciates the opportunity to comment on the Farm Credit Administration’s (FCA) Advance Notice of Proposed Rulemaking (ANPRM) regarding Loans to Similar Entities that was published in the *Federal Register* on September 6, 2024. Premier Farm Credit supports and endorses the comment letter that will be submitted by the Farm Credit Council (FCC) on behalf of the Farm Credit System. This letter thoroughly addresses in detail the questions presented within the ANPRM. Premier Farm Credit requests that the FCA consider these comments and the potential negative and unintended consequences that may result if a proposed rule is issued.

### **Background**

Premier Farm Credit is a small Association with \$1.1 billion in assets and 43 employees. We currently serve 759 stockholders in the six counties in the northeast corner of Colorado with three lending offices and an administrative office. We are very proud to dutifully serve the mission of the Farm Credit System in providing lending programs to all eligible farmers and ranchers within our territory. With our small lending territory, the commodity concentration of our direct loan portfolio is highly concentrated with loans to corn, wheat, and cattle producers. In addition to commodity concentration, we continue to see producer consolidation within our lending territory, resulting in fewer farm operations that have larger borrowing needs.

### **General Comments**

When Congress granted similar entity lending authorities to the System, the intended purpose was to enhance the financial safety and soundness of the banks and associations of the Farm Credit System. Similar entity lending accomplishes this by providing a risk management mechanism to System institutions to mitigate geographic and industry concentration risk. Farm Credit System entities have consistently and responsibly utilized similar entity lending authorities to support the System’s mission.

To ensure compliance with Congressional authorities and FCA regulations, the Presidents Planning Committee (PPC) developed Similar Entity Guidance which has served as a framework that the System has followed for many years.

Given this background and the authorities granted, Premier Farm Credit has used similar entity lending authorities to diversify and mitigate Association portfolio risk. To illustrate, as of September 30, 2024, Premier's top three direct portfolio commodity concentrations were 45% corn, 25% cattle, and 12% wheat. With purchased participations, including similar entity loans, our total portfolio concentrations decrease to 26% corn, 17% cattle, and 7% wheat. To further illustrate, similar entity loans represented 9.7% of all loans by volume, comprising 70 loan complexes with 38 different SIC codes, and had 99.5% credit quality. This is a significant diversification and risk mitigation tool given the current stress many cash grain producers are facing. Ultimately, this allows us in times of stress to better support and work with our borrower/owners.

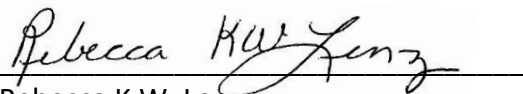
An additional and very important benefit of similar entity lending authorities is that it enhances Association earnings and strengthens our capital position. While similar entity borrowers are not eligible to receive patronage, the earnings from these loans ultimately supports our Association patronage program by allowing us to distribute a larger share of patronage eligible income while retaining non-patronage income to build capital. This is a significant benefit to not only our borrower/owners but also to the rural communities we serve. Given the FCA's current focus on the sustainability of System institutions capitalization practices, it seems counter intuitive that the agency would consider a rulemaking that could potentially reduce System institutions' opportunity to enhance earnings and strengthen capital.

### Conclusion

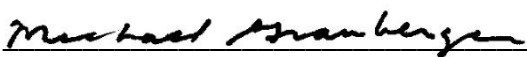
Premier Farm Credit appreciates the opportunity to comment on the ANPRM regarding Loans to Similar Entities and present our concerns to FCA for consideration. Congress clearly intended similar entity lending authorities to be broad and serve as a risk diversification tool to strengthen the System and ultimately ensure that farmers and ranchers have stable access to credit. As illustrated within this letter, the portfolio and earnings diversification benefits are significant and directly benefit the farmers and ranchers we serve. Any rulemaking that would reduce or limit existing similar entity lending practices will undermine the intent of Congress and ultimately harm the Farm Credit System.

Please feel free to contact us if you have any questions.

Sincerely,



Rebecca K.W. Lenz  
Chair of the Board



Michael Grauberger  
President and Chief Executive Officer