FARM CREDIT

December 4, 2024

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 (Sep. 6, 2024)

Dear Ms. Agans:

Farm Credit of the Virginias, ACA (the "Association") appreciates the opportunity to submit comments on the Farm Credit Administration's ("FCA") Advance Notice of Proposed Rulemaking (the "ANPRM") that was published in the Federal Register on September 6, 2024, relating to similar entity lending activity. *See* 89 FR 72759.

The Association has reviewed and discussed the ANPRM with its management and certain employees. The Association also participated in meetings and discussions with other associations, district banks, and Farm Credit Council ("FCC"). This comment letter reflects the Association's general observations regarding the ANPRM. The Association also supports the FCC's response letter including specific replies to the FCA's ANPRM questions.

The Association supports the original intent extended to the Farm Credit System ("FCS") in the 1992 and 1994 Acts. By design, Congress granted broad authority to enable FCS institutions to mitigate risk through increased diversification. Better risk management coupled with reduced industry and geographic concentrations have enabled the Association to continue meeting its core mission of being an engaged partner in rural communities. Limiting the scope of the existing authorities would reduce the intended benefits offered to the FCS and reduce its ability to adapt to constantly evolving agriculture industry trends.

Similar entity lending directly supports the agriculture industry's value added chain from producer to consumer. Similar entity earnings and diversification are substantial and contribute to the Association's support of farmers and the rural communities where they reside. These non-patronage eligible loans generate income with which the Association may retain capital, defray operating costs to support patronage refunds to directly eligible borrowers, and invest in mission-based lending such as young, beginning, and small producer programs. These downstream benefits would be negatively impacted by reducing the scope of the existing statutes.

As noted in the FCC response letter, reputation risk is an important consideration for any business. For decades, the FCS has appropriately managed reputation risk through the extension of credit to similar entities. While elevated reputation risk can be an element of similar entity lending, adequate controls and reporting are in place at the Association level to address potential concerns.

The Association appreciates the opportunity to comment on the ANPRM relating to similar entity lending activity. In agreement with the comment letter from the FCC and the reasons stated herein, Farm Credit of the Virginias, ACA supports the positions offered to FCA. The Association respectfully requests that FCA consider these responses to the ANPRM as further steps are contemplated.

Respectfully submitted,

Brad Cornelius
Chief Executive Officer, Farm Credit of the Virginias, ACA