



# AG NEW MEXICO FARM CREDIT

Farm Credit Services, ACA

Lending support to rural New Mexico

June 13, 2014

Mr. Barry F. Mardock  
Deputy Director  
Office of Regulatory Policy  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, VA 22102-5090

Dear Mr. Mardock:

As a CEO of Ag New Mexico Farm Credit Association, ACA, I am personally committed to maintaining high standards of conduct, and I know my association is as well. First, I appreciate the opportunity to comment on FCA's recent proposed rule regarding Standards of Conduct. It would appear that, although well-intentioned, the Agency has inadvertently designed a regulation that will discourage qualified active farmers from running for the board of a Farm Credit institution.

In keeping with the requirements of the Farm Credit Act, the majority of the directors at my association own full-time agricultural operations including, but not limited to, farming a variety of crops, in addition to cow/calf operations as well as other ranching operations. Throughout the normal course of their business(s), they deal with other members of my association and/or potential members of my association on a regular basis. This association's territory covers the majority of the State of New Mexico. A director in the southern section of New Mexico may have an intermittent business relationship with an individual (company) in the northern section of New Mexico, and never know the business is an association customer. In rough numbers, **New Mexico is approximately 370 miles long and 343 miles wide.** The geographic issue does need to be taken into consideration.

Because of this, I find the transaction disclosure requirements in the Conflicts of Interest section of the proposed rule to be unduly burdensome and detrimental to their everyday business operations. They do not have a role in approving individual loans nor do they have any control or knowledge of the terms of individual loans. They also do not have access to information

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#### Clovis Administrative and Credit Office

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Clovis, NM 88102 Toll free (800) 357-3545  
233 Fairway Terrace North Fax (575) 762-5616  
Clovis, NM 88101

#### Belen Credit Office

P.O. Box 7 (505) 861-5447  
19554 Highway 314 Toll free (800) 722-4769  
Belen, NM 87002 Fax (505) 861-5476

#### Las Cruces Credit Office

1310 Picacho Hills Drive, Suite 1  
Las Cruces, NM 88007  
(575) 647-4430  
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Part of the Farm Credit System

pertaining to individual borrowers. Therefore, it is unreasonable for them to be put in a position of having to know whether they are doing business with an association customer or not.

They routinely have business transactions with a wide variety of individuals, some of whom might be association customers. Even in instances when they know they are dealing with an association customer, there is no conflict of interest since they have no role in making individual loan decisions.

The proposed disclosure requirements would require them to report and obtain pre-approval of normal, everyday transactions within their farming operation(s). This is an unrealistic burden to place on directors who make their living in the agricultural arena and rural communities. The proposed exception for immaterial transactions would not relieve the burden of reporting and obtaining pre-approval for transactions in the ordinary course of their farming operation(s). The proposed regulation would require them to keep track of these transactions and get prior approval for them as soon as they exceed an arbitrary materiality limit. Even if these transactions don't present a conflict of interest, our board would have to approve any case-by-case exception. Making a living in agriculture is difficult enough without this kind of unnecessary additional burden.

If FCA adopts the proposed regulation, I feel that many directors will reconsider whether they can continue to serve as System directors and still run a viable agricultural operation, and it will become even more difficult to new candidates who are willing and able to bear these burdens. I urge the FCA to substantially revise the proposed rule or consider withdrawing it. As drafted it is counterproductive, creating inappropriate, unreasonable standards that are inconsistent with modern farming operations. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'F. Shelton', with a long horizontal flourish extending to the right.

Frank Shelton  
President/CEO.  
Ag New Mexico Farm Credit Services, ACA