INDEPENDENT COMMUNITY
BANKERS of AMERICA®

Submitted electronically to reg-comm@fca.gov

August 15, 2022

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

RE: FCA Proposed Rule, Loan Policies and Operations on Young, Beginning and Small Farmers and Ranchers, 12 CFR Parts 614 and 620, RIN 3052–AD54, Federal Register Number 2022-12803

Dear Ms. Agans:

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to comment on the Farm Credit Administration's (FCA, agency) proposed rule intended to increase direct lender associations' (associations, lenders) Young, Beginning, and Small (YBS) farmer and rancher activity and reinforce the supervisory responsibilities of the funding banks, authorized by section 4.19 of the Farm Credit Act (Act).

The FCA states the proposed rule requires FCS associations to adopt an independent strategic plan for their YBS programs. The lender association's funding bank will annually approve each association's YBS strategic plan and these plans will have specific elements that will be evaluated as part of a rating system to measure year-over-year internal progress. FCA believes the rating system will allow for comparison among the direct lender associations regarding the extension of credit and services to the YBS borrowing population.

[1] The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. ICBA is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services. With nearly 50,000 locations nationwide, community banks constitute 99 percent of all banks, employ more than 700,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding more than $5.8 trillion in assets, over $4.8 trillion in deposits, and more than $3.5 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org

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ICBA's Views

ICBA's letter to FCA dated March 22, 2019, which we would like to incorporate by reference as part of this letter, responded to the FCS's YBS Advance Notice of Proposed Rulemaking of February 21, 2019. Our letter included several recommendations for needed reforms. ICBA noted the FCA should implement a reporting system that accurately reflects the number of YBS farmers and ranchers borrowing from the FCS as opposed to a system that overinflates the FCS's YBS activities to Congress and the general public.

The FCA states that FCS's statutory obligation is only to have a YBS program in place and annually report on the program. Therefore, the FCA's focus should be on a YBS reporting system that promotes transparency, accuracy and understanding. ICBA recommended FCA recast FCS's YBS reporting by having one column of data that does not double or triple count or use even higher multiples for these loan totals to YBS borrowers. We urge FCA to review these recommendations and incorporate them into YBS's reporting requirements as appropriate.

FCA has acknowledged that FCS loans can be double or triple counted in the YBS category. The loans could apparently be counted up to six times if the loan is a participation loan. The loan counting could be multiplied even further if several larger loans are divided into smaller loans less than $250,000. For example, a single farmer, with nine years of farming experience, who is 34 years old, borrowing $245,000 that is participated by two FCS lenders could be counted as six YBS borrowers or loans. FCA regulations should ensure such scenarios cannot occur. We recommend one counting category that shows only a single customer counted and that participation loans not be counted as two or more YBS loans and that larger loans not be divided into smaller loans for the sake of meeting YBS goals.

FCA proposes to substitute FCS association 'achievements reports' with a requirement for strategic plans that incorporate elements of the reports while enhancing the ability of funding banks' to approve plans. FCA states, "In the past, internal controls over YBS data reporting processes have been weak, resulting in inaccurate reporting to FCA." This statement is consistent with the concerns ICBA has raised in the past when commenting on FCS's YBS's program.

The FCA states that current regulations require FCS lenders to include their YBS program in their annual operational and strategic business plan but that this requirement would be replaced by incorporating the requirement into an 'independent strategic plan.' ICBA believes this could lessen awareness of the associations' YBS plans. We urge FCA to require a report on YBS plans and requirements in the associations' annual reports.

FCA proposes that direct lender association discuss variances that occurred between actual performance and goals and provide the reasons for such variance. Any conclusion by the funding

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bank that a YBS strategic plan or program is deficient must be communicated to the direct lender association in writing. ICBA believes the inability of FCS lenders to meet their YBS goals should be included in FCA's annual report.

While FCA will seek to have FCS lenders include volume and loan number goals in the data associations provide to funding banks, as well as percentage goals, this information will, by itself, be insufficient unless it is placed into the context of the YBS farmer and rancher loan demand. USDA data, for example, includes the number of loans denied by various categories. Without such context, it is difficult to grasp how associations' data reflects potential demand.

Conclusion

ICBA appreciates FCA's effort to begin to address the flaws that exist in the FCS's YBS program. Although FCA notes the many challenges of serving YBS producers, this is a lending category that community banks have served very well. We are concerned this proposal doesn't address overcounting of loans, which inflates YBS lending, making FCS data less reliable while constraining an accurate and transparent view of these programs for the public. Perhaps FCS should seek to work more with community banks in this arena through loan participations.

FCA's annual report on FCS YBS loans, released each August, should include information on the degree to which FCS is meeting overall YBS farmer and rancher loan demand to provide a context for FCS's YBS lending. Otherwise, FCA reports only provide numbers relating to whether such loans are supposedly increasing or decreasing within the FCS. However, this data could be meaningless if loans are counted numerous times, as noted above.

The FCS is a government-sponsored enterprise (GSE) with tax and funding advantages over tax paying community banks. Therefore, the FCS should be transparent with the public in its reporting and the degree to which it is serving YBS farmer/rancher needs unless the FCS desires to leave this lending category primarily up to community banks to serve. Please contact me at mark.scanlan@icba.org to discuss this letter.

Sincerely

/s/

Mark Scanlan
Sr. V.P., Agriculture & Rural Policy