November 30, 2021

Submitted to: FCAStrategicPlanning@fca.gov

Attn: FCA Strategic Plan
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

RE: Request for Input on FCA strategic plan

Dear FCA:

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to provide comments to the Farm Credit Administration (FCA, agency) regarding FCA's request for input on the agency's proposed five-year strategic plan.

Background

FCA's strategic plan is intended to guide the agency's priorities and activities for advancing the FCA's mission over the next five years (from 2022 to 2026). The FCA states, "Our mission is to ensure that Farm Credit System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America."

As part of this exercise, FCA identified five focus areas as part of a planning framework to guide the agency in obtaining its goals. For each focus area, FCA developed questions to help determine the strategies to fulfill goals and has invited the public's input and responses to these questions.

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[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 trillion in assets, over $4.4 trillion in deposits, and more than $3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets, neighborhoods and farms and ranches they serve.

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General ICBA Recommendations

As a general starting point for FCA's strategic plan and future regulatory goals, ICBA believes FCA should ensure that FCS institutions adhere to their primary mission of serving the on-farm credit needs of *bona-fide* farmers and ranchers. It is important for the FCS to be mindful that their lending purpose is not to be a general provider of credit to rural America. Rather, FCS was granted a charter by Congress as a Government Sponsored Enterprise (GSE) allowing FCS to raise funds at extremely low costs compared to the private sector for the narrow purpose of serving agricultural credit needs of bona fide farmers and ranchers. FCS was also granted privileged tax-free income which provides enormous loan pricing advantages not available to private sector lenders.

Therefore, any allowance of "investment bonds" to FCS institutions should require these bonds comply with existing constraints of the Farm Credit Act (Act). Allowing FCS "investments" to go beyond the purposes stipulated in the Act would make the Act's legislated parameters on scope and eligibility of lending meaningless and easily skirted by growth obsessed FCS lenders. FCA should also publish how FCS bonds, extended as a means of providing credit, differ from FCS loans. FCA should also seek ways for FCS lenders to work cooperatively with local community banks, which is the model that other GSEs utilize.

FCA Strategic Plan (SP) Focus Area One

Promote the long-term viability of the U.S. agricultural economy by encouraging Farm Credit System institutions (FCS) to serve young, beginning, and small (YBS) farmers and ranchers fairly and impartially.

> a. What, if any, regulatory barriers hinder System institutions from meeting the congressional mandate to serve YBS farmers and ranchers? b. What opportunities are there to promote best practices for serving YBS producers?

ICBA Response

ICBA believes the FCA has unnecessarily obscured the actual performance of FCS's service to YBS farmers and ranchers by allowing the counting of the same borrower multiple times. As ICBA commented to the FCA on its ANPRM on YBS farmers and ranchers on May 22nd, 2019, "FCA should review the methods used to collect and report YBS data to ensure that it is accurate, complete, and can be used reliably in conjunction with other related data reported by the System."

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Even FCA has acknowledged the three categories (young-beginning-small), while separate and distinct, allow counting of a single borrower multiple times. A loan to one borrower may meet the definition for a single category or for all the categories, allowing a single farmer to be counted three times. Even worse, if another FCS institution lends to the same farmer, the loan could be counted an additional three or more times, leading to further duplication in counting single borrowers when the YBS numbers are aggregated.

As ICBA concluded in our May 22, 2019, letter: "ICBA believes the FCA's reporting of YBS data should include a column or data reflecting the single counting of the actual number of YBS farmers without counting these farmers and ranchers multiple times. This data could also include the dollar volume of loans borrowed by these producers without counting the borrowings multiple times as well. An individual farmer's relationship with FCS should be counted only once."

ICBA urges FCA to adopt this recommendation and also incorporate ICBA's suggestions made to twenty-three other questions FCA raised in the ANPRM. Doing so will better allow FCA to achieve its stated goals for serving YBS borrowers as it will allow not only the public, but also the FCS on a system-wide basis, to understand the true status of its YBS lending and the impact of any changes the FCA may consider. If the FCA doesn't adopt our recommendations, it is likely FCA's directives on FCS's YBS lending will continue to be scattered, randomly applied and not reflective of true YBS lending, making achievement of FCA's YBS goals impossible to actually measure.

FCA SP Focus Area Two

Consider how the challenges facing small System associations differ from those facing large ones when evaluating merger proposals to ensure that the System continues to meet the needs of all eligible borrowers safely and soundly.

> a. How can FCA ensure that its oversight of small and large associations is fair and impartial and addresses the unique needs and challenges of each type of association? b. How can FCA oversee institution mergers to address obstacles for small associations and ensure appropriate representation on boards?

ICBA Response

ICBA does not believe the FCA needs to allow FCS entities to continue to merge to serve eligible borrowers safely and soundly. Indeed, the original intent of Congress in establishing the FCS was to create a system of locally owned farmer cooperatives that provided credit to bona

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fide farmers and ranchers while working in a cooperative manner with local community banks to achieve this goal.

Today, the FCS, with over $400 billion in loan volume appears to have taken on a strategy more akin to Wall Street by trying to grow as big as they can as fast as they can. Yet, the total number of FCS institutions has declined to only 67 associations. The insatiable growth appetite of the FCS's larger associations has caused them to lose sight of serving all but the financially strongest farmers and ranchers and to pursue non-farm lending activities outside of the Act's lending constraints. Therefore, we believe all mergers between the largest FCS associations should be halted at this time until an assessment can be made of how the FCS can work cooperatively with community banks and other lenders to serve rural America without trying to become the equivalent of a "Citibank" financial behemoth.

Further, we do not believe large FCS associations should be allowed to make policy proposals for expanded lending powers to the FCA for new types of non-farm lending purposes. Smaller FCS and banking institutions and the public should be allowed to comment on these types of lending or "investment" activities well before they are considered by the FCA board.

FCA SP Focus Area Three

Identify weather and other environmental threats to agricultural finance through scenario testing and use this information to evaluate the contingency plans of System institutions and Farmer Mac to address those risks.

ICBA Response

Regarding climate related contingency planning and scenario testing and evaluations, ICBA believes that the FCA's regulations in this emerging area should be matched to those of the largest commercial banks, particularly given the FCS institutions rapid growth rates and the FCS's designation as a GSE.

FCA SP Focus Areas Four / Five

Assess the preparedness of System institutions and Farmer Mac for cybersecurity threats and events and promote ways to mitigate cybersecurity risks at FCA. FCA SP area five seeks comments on implementing FCA related workforce initiatives.

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ICBA Responses

ICBA has worked very closely with other federal regulators to assess cybersecurity threats and communicates regularly with community banks on the ongoing challenges in this arena. FCA should be actively working with FCS institutions in this sphere as well.

Regarding workforce initiatives, FCA should ensure the general public has easy access to reports and documents for purposes of research, information gathering and education. FCA staff should be easily accessible to the public and their contact information should be readily available. FCA should also provide information to the public on all requested documents without censorship or redactions, including through the FOIA process. Information sought by the public through FOIA requests should not be redacted in any manner. Finally, FCA should consider not assessing FOIA fees on the public unless the FOIA request is extremely complex.

Conclusion

ICBA appreciates the opportunity to comment on FCA's proposed five-year strategic plan. We urge FCA to adopt the recommendations contained in this letter. Please feel free to contact Mark Scanlan (mark.scanlan@icba.org) to discuss this letter in greater detail.

Sincerely,

/s/

Mark Scanlan
Sr. V.P., Agriculture and Rural Finance