

March \_\_\_\_\_, 2001

Thomas McKenzie  
Director, Regulation and Policy Division  
Office of Policy and Analysis  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, VA 22102-5090

Re: Request for Comment on the National Charter Proposal  
66 *Federal Register* 10639, February 16, 2001

Dear Mr. McKenzie:

I am writing in opposition to the proposed rule by the Farm Credit Administration (“FCA”) to provide procedures by which Farm Credit System (“System” or “FCS”) direct lending institutions may apply for a national charter. The proposed rule changes dramatically the way in which the System has operated since it was established, is unnecessary to achieve the goals outlined by the FCA, and raises significant public policy issues in light of the System’s status as a government-sponsored enterprise (“GSE”).

Providing national charters to FCS direct lending institutions will dramatically change the way in which the System has operated for over 80 years and poses a real potential for harm to producers, taxpayers, and rural America. For years System institutions have used their GSE status to under price their private sector. I am concerned that with national charters, intra-System competition will result in even more low ball pricing that will undermine the financial health of my bank, my community, and all of rural America.

The proposed regulatory framework also raises a number of other public policy concerns:

- The proposal will negatively affect small and beginning family farmers as System institutions seek larger, more profitable loans at the expense of these borrowers.
- The FCA proposes no specific, enforceable or measurable regulatory sanctions that would ensure that local farmers and ranchers continue to have access to a FCS lender.
- The FCA fails to examine the increased risks that are associated with a local lender venturing forth into new territories without a solid understanding of the new region's peculiarities.
- The proposal would fundamentally change FCS institutions from the locally owned and operated institutions envisioned by Congress into national lenders with no local perspective.

The FCS was created at a time when there were limited choices to secure credit for American agriculture. Today, seed companies, equipment manufactures, fertilizer producers, life insurance companies, and foreign banks are all aggressive providers of agricultural credit. The fact that these options exist causes one to question the very existence of a retail lending, tax advantaged GSE. I urge you to withdraw this proposed rule.

Sincerely,