American Bankers Association
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Via electronic delivery to:
www.regulations.gov

The Honorable Sonny Perdue
Secretary
US Department of Agriculture
1400 Independence Avenue SW
Washington, D.C. 20250

Re: Executive Order 13781, "Comprehensive Plan for Reorganizing the Executive Branch"

Dear Secretary Perdue,

The American Bankers Association (ABA)[1] appreciates the opportunity to comment on the proposal by the United States Department of Agriculture (USDA) to reorganize the Department under section 4(a) of Reorganization Plan No. 2 of 1953.

Since the founding of our nation, banks have played a vital role in providing agricultural credit to rural America. Over 5,000 banks – over 83% of all banks – reported agricultural loans on their books at year end 2016 with a total outstanding portfolio of over $175 billion. Banks are core stakeholders in efforts to promote economic growth and job creation in agriculture from coast to coast.

ABA works with USDA's various agencies, but the bulk of the relationship is with the Farm Service Agency (FSA) Loan Programs and the Rural Development Loan Programs. The loan programs within these agencies have proven time and time again the value of a close relationship between USDA and the banking industry. Last year, the banking industry was part of the $6.6 billion[2] in FSA loans and $1.2 billion[3] in Rural Development loans.

ABA appreciates USDA's efforts to improve efficiency, effectiveness, and accountability of the executive branch. We agree with USDA on the need to enhance and strengthen the delivery of USDA programs. By reorganizing FSA and Rural Development, ABA is hopeful for even stronger delivery of USDA loan programs.

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[1] ABA is the voice of the nation's $17 trillion banking industry, which is composed of small, midsize, regional and large banks that together employ more than 2 million people, safeguard $13 trillion in deposits and extend nearly $9 trillion in loans.
[2] United States Department of Agriculture Fiscal Year 2017 Budget Summary. Page 16.
[3] United States Department of Agriculture Fiscal Year 2017 Budget Summary. Page 37.

Specific Comments on Executive Order 13781

1. FSA Loan Programs

ABA believes reorganizing FSA under the newly created Secretary for Farm Programs and Conservation is a welcome move because FSA will be with other similar agencies that have loan programs. ABA has worked closely with FSA loan programs for decades, specifically within the guaranteed loan space. Last year, the banking industry was a substantial part of the $6.6 billion loan portfolio with FSA, and ABA continues to fight for additional funding for FSA loan programs.

Loan Limits: ABA believes there should be an increase in the loan limit size for FSA guaranteed loans. With the current limit of $1.399 million, there are too many farmers and ranchers that are not being helped in times of need. However, for an increase in loan limits, USDA needs to modernize the FSA loan programs going forward.

Modernizing FSA Loan Programs: The first step in modernizing loan programs would be upgrading and improving technology. This would create a more efficient and responsive USDA for lenders. ABA understands that the lack of basic upgrades to technology has greatly delayed the industry's ability to process loans at an efficient rate. Without simple updates, such as better functioning websites to check on loan balances, unnecessary work is created for FSA staff. As we have learned in the banking industry, updating technology can create greater efficiency across an organization, which ultimately benefits our customers. ABA believes the FSA loan programs should be one of the first areas within USDA to receive technology dollars, as upgrades will be leveraged immediately.

FSA Loan Program Staff: Along with upgrades to technology, there needs to be serious consideration for increasing staff levels for FSA loan programs. As veteran staff retires, there isn't enough new staff being trained to take over their loan portfolios. This is creating a knowledge gap within FSA loan programs and is making it much harder to turn around loans in a timely fashion. When it comes to financing agriculture, especially operating loans, loans need to be made as quickly as possible so farmers can get back into the field. As USDA is aware, windows for planting or harvesting can close very quickly and our loan programs need to keep pace.

Interest Assistance: ABA believes FSA should consider bringing back their interest assistance program. This program helps to buy down the cost of interest for young and beginning farmers, which is timely considering the rising interest environment we are entering. In the past, the program allowed FSA to buy down as much as four percent of all guaranteed operating loans. If this program were to be reinstated, ABA suggests that the program would be no more than two percent, would be eligible for only beginning and young farmers, and would be eligible for all FSA guaranteed loan programs.

Environmental Policy: The last issue that should be further examined as part of the restructure, is the National Environmental Policy Act (NEPA) regulations that have been put in place for Confined Animal Feeding Operations (CAFO) for FSA loan programs. ABA fully understands why the regulations have been put in place, but there needs to be serious examination on potential changes to the regulations. Additionally, we have found that the regulations can vary from state to state and county to county, making it very difficult to properly put together the loan. USDA should consider offering changes to the NEPA regulations on CAFOs so lenders can better serve this constituency into the future. USDA can assist in this process by working with the Small Business Administration to make sure that rules for CAFO lending are uniform across agencies.

2. Need for strong loan programs at Rural Development

ABA has been building its relationship with Rural Development for many years. As this relationship develops into the future, the banking industry wants to ensure that Rural Development remains a cornerstone of USDA. It is important to recognize the possibility of Rural Development to be an avenue for banks to engage in public-private partnerships with USDA on both loan programs and rural infrastructure projects. The reorganization of USDA creates the opportunity to expand the authorities of Rural Development programs for both purposes. ABA believes the programs within Rural Development are working and need to remain strong and well-funded.

Changes to Rural Development Loan Programs: USDA should increase and strengthen Rural Development guaranteed loan programs, as these programs are used by banks to provide credit in rural America. USDA should consider increasing flexibility on funding within Rural Development loan programs. Far too often, funding for one program will be completely used, while another program is untouched. Flexibility to shift funds between programs will help to solve this problem. Additionally, USDA should reintroduce preferred and certified lender programs to help streamline the loan origination process within Rural Development. By creating an avenue to streamline loan making, more banks will be involved with Rural Development loan programs. Lastly, there needs to be an increase in education about Rural Development loan programs. ABA has started the process of working with Rural Development, but there is a real need to educate lenders across rural America.

Business and Industry Guaranteed Loan Program: ABA believes the guaranteed loan programs within Rural Development need to remain in place for the future. These programs are not duplicative and help a different class of individuals than Small Business Administration loans. ABA is especially supportive of the Business and Industry Guaranteed Loan Program as it provides protection for lenders, making them more willing to extend credit to rural businesses. These loans are used to provide much-needed financing for economic development projects for rural businesses to purchase machinery and pursue business modernization. The USDA Business and Industry (B&I) Guaranteed Loan Program, and all programs of the USDA Rural Business Cooperative Service that complement the lending activities of private sector commercial banks are of vital importance to our nation's rural communities. The B&I program has historically realized full utilization and the program's delinquency rates are at an all-time low. In short, the program works and should be strengthened, not ended. By having a government guarantee, this program is particularly useful for helping start up business or non-traditional businesses in rural America. However, lengthy delays are commonplace due to the lack of modernization in the program which is still hurting the ability for banks to produce more B&I guaranteed loans. Without Rural Development loan programs, innovative businesses in rural America may be left behind.

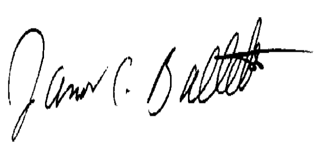
Community Facilities Loan Guaranteed Loan Program: Another important Rural Development loan program, is the Community Facilities Guaranteed Loan Program. This program relies on a partnership between the USDA and private lenders who provide vital capital for projects involving critical infrastructure and essential services in rural America such as hospitals and public safety services. The current over-emphasis by USDA on the Community Facilities Direct Loan program has become a very real threat to the continued viability of the Community Facilities Guaranteed Loan Program. The Direct Loan program excludes rural lenders in the private market because the USDA completely assumes the role of the lender with all risk and exposure assumed by the U.S. taxpayer. Today, only a fraction of program authority is allocated to the Guaranteed Loan Program compared to the Direct Loan Program ($146 million versus $2.2 billion; a 6%/94% split)[4]. We urge your support for strengthening the Community Facilities Guaranteed Loan Program to increase the participation of the banking industry in these types of loans.

Rural Energy for America Program: ABA believes the Rural Energy for America Program (REAP) Guaranteed Loan Program needs to remain strong into the future. However, USDA should consider increasing the current cap of $25 million on REAP as the cap is often too low for larger projects. Additionally, there needs to be better coordination with B&I as that will create more opportunities to for combined loans.

Conclusion

ABA supports the reorganization efforts by USDA to improve customer service. As an USDA stakeholder, ABA will remain active in working with USDA to deliver loan programs to our customers. ABA remains committed to providing credit in rural America and looks forward to working with USDA not only in FSA and Rural Development, but across the entire department. USDA guaranteed loan programs are vital to the banking industry in rural America and ABA will continue to be involved with these vital programs.

Sincerely,



[4] United States Department of Agriculture Fiscal Year 2017 Budget Summary. Page 44.