

June 21, 2016

The Honorable Pat Roberts  
Chairman  
Committee on Agriculture, Nutrition and Forestry  
United States Senate  
Washington, D.C. 20510

The Honorable Debbie Stabenow  
Ranking Member  
Committee on Agriculture, Nutrition and Forestry  
United States Senate  
Washington, D.C. 20510

Dear Chairman Roberts and Ranking Member Stabenow:

The American Bankers Association would like to thank you for holding the hearing: “The Farm Credit System: Oversight and Overlook of the Current Economic Climate.” The hearing provided valuable insight as to how the Farm Credit Administration (FCA) operates in this current economic climate. It had been over ten years since the last oversight hearing on the FCA was held within the Senate Agriculture, Forestry and Nutrition Committee. Credit for rural America is too important to our nation’s farmers to not hold these valuable hearings.

As the committee of oversight for the Farm Credit Administration, and by extension the Farm Credit System (FCS), we urge the committee to hold annual oversight hearings on these entities. The FCS has grown rapidly over the past ten years from \$140 billion in assets in 2005<sup>1</sup> to its current \$304 billion in assets in 2015<sup>2</sup>. This is tremendous growth for a Government Sponsored Enterprise (GSE) like the FCS, and such an expansion, should require a commensurate amount of oversight. Additionally, the FCS’ effective tax rate has declined on an annual basis, while their profits continue to soar.

It is troubling, however, that while FCS has been experiencing an explosive period of growth, their lending to young, beginning, and small farmers (YBS) has actually declined from 30% of their portfolio in 2003 to less than 19% of their portfolio in 2015<sup>3</sup>. Considering that this GSE was created with specific tax advantages to ensure YBS farmers have a lender who can provide competitive credit, we believe that stronger oversight is needed to ensure compliance with their obligations to serve certain market segments.

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<sup>1</sup> Farm Credit Administration; Annual Report on the Farm Credit System; June 2007. Page 9.

<sup>2</sup> Federal Farm Credit Banks Funding Corporation; First Quarter 2016 Quarterly Information Statement of the Farm Credit System; May 10, 2016. Page 7.

<sup>3</sup> Farm Credit Administration; FCA’s Annual Report on the Farm Credit System’s Young, Beginning, and Small Farmer Mission Performance:2015 Results; June 9, 2016.

<https://www.fca.gov/Download/YBSBoardPresentation.pdf>. Slide 7.

There already is a precedent for holding annual congressional hearings on financial services regulators. As you are aware, all banking regulators, including the Consumer Financial Protection Bureau, are required by law to come before the Senate Banking Committee at least once per year. This ensures that the committee of jurisdiction has prudent oversight of the financial regulators. The FCS is responsible for providing competitive credit to those who may have difficulty in obtaining it, especially YBS borrowers. Therefore, it is vital for the Senate Agriculture, Forestry and Nutrition Committee to hold annual oversight hearings on the FCA. Credit for rural America is too valuable to our nation's farmers and ranchers and there must be in-depth oversight to ensure credit availability for all farmers and ranchers.

Thank you and I look forward to hearing your response.

Sincerely,

Rob Nichols

/s/

cc: House Committee on Agriculture