

June 12, 2012

Mr. Michael Hinton
Director, Loan Servicing and Property Management Division
FLP, FSA, U.S. Department of Agriculture
1400 Independence Avenue SW, Stop 0523
Washington, DC 20250-0522

RE: RIN 0560—AI14
Federal Register Vol. 77 No. 72, Page 22444

Dear Mr. Hinton:

The American Bankers Association (ABA) appreciates the opportunity to provide comment on the proposed rule to amend regulations governing the Farm Service Agency's (FSA or Agency) Farm Loan Programs (FLP), specifically those regulation affecting real estate appraisals, leases, disposition, and release of security, and conservation contracts. *The American Bankers Association represents banks of all sizes and charters and is the voice for the nation's \$13 trillion banking industry and its two million employees. The majority of ABA's members are banks with less than \$165 million in assets.*

The ABA concurs with the FSA regarding the necessity to streamline the loan making and servicing process, and that doing so will result in greater flexibility for borrowers-- and to lenders as well, while also protecting the government's interests. That said, the ABA's comments are limited to the issues of Appraisals, Subordinations, Partial Releases of Real Estate Security, and Conservation Contracts.

Appraisals

The ABA commends the FSA for proposing to establish a higher loan limit for mandatory appraisal for those loans that are greater than \$250,000. As a general rule, lenders pass the cost of an appraisal to the agricultural borrower. By putting in place new loan limits, the FSA would save borrowers below the threshold significant expenses while also ensuring that loan processing and approval occur in a more timely manner.

The ABA further supports the Agency's proposal to conditionally allow an appraisal older than 12 (twelve) months to be used when supported by proper documentation provided by the lender, including that market conditions have remained stable or improved, the property in question remains in the same or better condition, and that the value of the property has remained the same or increased.

The FSA also proposes not to require the lender to complete an appraisal for real estate or chattel that will serve as additional security, but would require the lender to provide an estimated value. The ABA supports this proposal.

Subordination

The FSA proposes to amend regulatory provisions related to subordination of real estate and chattel security. The ABA commends the FSA for proposed changes that would allow subordination of the Agency's real estate security for cases of refinancing when for a loan originally made for an authorized purpose by the FSA or another lender. The proposal provides an opportunity for agricultural borrowers to take advantage of today's low interest rate environment.

Partial Release of Real Estate Security

While not generally considered to be part of guaranteed loan making and servicing, the ABA applauds FSA's efforts to simplify the procedure regarding partial releases. Since the banking industry works closely with many customers who may have direct FSA loans, the need for partial releases of real estate security occurs frequently. The Agency's effort to streamline the partial release process for well-secured farm real estate loans is commendable, and should help farmers better manage an active and ongoing farming operation.

Conservation Contract

The ABA believes that providing for conservation of water, timber, land and other elements is noteworthy. However, as a practical matter, requiring a prior lien holder to subordinate their debt in favor of a Conservation Contract will be difficult to accomplish, and will make it much harder for an individual to participate in the Conservation Contract Program. The Agency notes that the purpose of the Conservation Contract Program is to place at-risk land under a conservation contract for a set period of time, protect the land, and enhance its conservation, wildlife, or recreation value. While we recognize what the Agency is trying to prevent - the possible loss of a contract under foreclosure by a prior lien holder- requiring the prior lien holder to subordinate will cost the borrower time and money, because it is highly likely the prior lien holder will require a new appraisal, a new survey, new title work, and other actions before considering a subordination. Prior lien holders may not want to subordinate their debt even after all of the above actions are taken. The net result will be that the conservation goals of the Conservation Contract Program will be diminished. The ABA does not support the Agency's proposal to require prior lien holders to subordinate to a Conservation Contract.

In conclusion, the ABA commends the FSA for its proposal to streamline the loan making and servicing process, resulting in reduced costs and greater flexibility for borrowers. While the ABA supports proposed changes to regulations governing appraisals, subordination, and partial

Farm Service Agency

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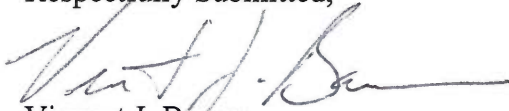
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release of real estate security, the ABA is concerned that amendments to the Conservation Contract Program requiring prior lien holders to subordinate their position may prove problematic and result in higher costs for borrowers.

The ABA is available to discuss the proposed rule and possible changes to the Conservation Contract Program. For any questions regarding these comments or for further discussion, please contact Vincent J. Barnes at 202-663-5230 or vbarnes@aba.com.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Vincent J. Barnes", written over a horizontal line.

Vincent J. Barnes

Senior Counsel