



Bank of Commerce

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July 17, 2008

Gary Van Meter
Deputy Director, Office of Regulatory Policy
1501 Farm Credit Drive
McLean, VA 22102

Re: Proposed Rule; Funding and Fiscal Affairs, Loan Policies and Operations, and Funding Operations; Mission-Related Investments, Rural Community Investments, Farm Credit Administration; 12CFR Part 615; 73 Federal Register No.116; pp 33931; June 16, 2008

Dear Gary Van Meter:

I am writing to express my strong opposition to the proposed rule regarding "mission-related investments". During the debate on the 2008 Farm Bill, Congress rejected expansion of the Farm Credit System (FCS). The Farm Credit System is a farmer owned, and farmer capitalized cooperative lender that is also a Government Sponsored Enterprise (GSE) with certain advantages and specific limitations. Congress created GSEs to serve specific missions. This proposal is an attempt by the Farm Credit Administration (FCA) to expand the Farm Credit System beyond what Congress intended through regulation.

If adopted, the proposed rule would shift the FCS away from its statutory mission to lend to farmers, ranchers, certain farm related service businesses, farmer-owned cooperatives, and certain rural homeowners and would turn the System into an investing entity with a regulator that has little or no experience in evaluating the soundness of speculative investments. Taxpayers are ultimately liable for GSE activities, and this proposal could expose taxpayers to additional and unwarranted risk.

The Farm Credit Administration proposes that System lenders be permitted to invest up to \$36 billion in the first year (based on the 12-31-07 balance sheet of the FCS) if this rule becomes final. Poor investment decisions by System managers could hurt the FCS's credit rating resulting in higher interest rates and fees charged to the farmers and ranchers who own and borrow from the System. Poor investment decisions by some System managers could harm the cooperative framework of the System as every FCS lender is jointly and severally liable for the actions of their fellow cooperative members. If some System institutions collapse due to bad investment decisions, those System lenders who did not act irresponsibly will be unwilling to share their capital to bail them out. Poor investment decisions by System managers could quickly burn through the capital of the farmers and ranchers who own the System and could place American taxpayers at risk. It is beyond reason that FCA, a financial system safety and soundness

regulator, would authorize FCS managers to bet all the surplus of their farmer and rancher owners, plus 50 percent more, on investments FCA admits are not marketable and that FCA has no real experience evaluating.

The proposed regulations would authorize FCS institutions to finance the building of hospitals, healthcare facilities, emergency facilities, roads, bridges, transportation infrastructure, and any other types of investments FCA identifies as appropriate, including but not limited to financing the development of hotels, resorts, office parks, restaurants, manufacturing inventory and manufacturing facilities. Additionally, System institutions would be permitted to invest in venture capital funds that are by definition highly speculative. The proposed rule violates principles limiting the mixing of banking and commerce, a practice long curtailed by Congress and enforced by banking regulators due to the potential for manipulation of normal market functions. When banking and commerce are integrated there exists a genuine risk of insider activity, preferential treatment, undue influence, and anti-competitive activities.

The System should not be allowed to make investments in areas where it has no experience, no loan making authority, no branch networks, and where Congress has not authorized them to operate. As written, each FCS institution would be empowered to make "investments" in all areas of the country that are not "urban," which, according to the terms of the latest United States census, are those areas with fewer than 50,000 residents. Based upon the proposal, the area FCA would define as "rural" is home to 89.5 million people - representing 31.8 percent of the total population - and covers 98 percent of the land area in the United States.

The FCA should remember why Congress created, and why American taxpayers have long supported, the Farm Credit System: to serve America's farming and agricultural interests. Expansions of the type proposed will erode the capital of the farmers and ranchers who own FCS, expose taxpayers to undue risk, and will forever change the focus of the Farm Credit System.

I strongly urge you to withdraw the proposal. The farmers and ranchers who own the Farm Credit System deserve competent safety and soundness regulation to protect their capital. This proposal does not serve them well.

Sincerely,



Dower Combs
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Asst Vice President
Bank of Commerce