



# FARMERS STATE BANK

ELMWOOD, ILLINOIS 61529

R. W. LOTT  
CHAIRMAN OF THE BOARD

FREDERICK O. PAIGE  
PRESIDENT

HAROLD JEHLE  
EXECUTIVE VICE PRESIDENT

July 29, 2008

Gary K. Van Meter, Deputy Director  
Office of Regulatory Policy  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, Virginia 22102-5090

**Re: Proposed “Rural Community Investment” regulation for farm credit institutions**

Dear Deputy Director Van Meter:

As a community banker in a small community, largely made up of rural residents and farmers, I am writing in opposition to the Farm Credit Administration’s (FCA) proposal that would give “rural community investment” authority to farm credit institutions. My bank, along with many community banks in Illinois, already face an unlevel playing field when competing against tax-advantaged Farm Credit System institutions. Community banks are capable of serving the needs of communities in rural Illinois and in rural America. There is no justification for granting more new powers to farm credit institutions which would destabilize the community bank network now serving our rural communities. This proposal is therefore harmful to rural communities and should be withdrawn.

Farm credit institutions were created by law and were given special tax preferences with the understanding that they would serve a very narrow role of providing credit to farmers, ranchers and related agricultural businesses necessary for efficient farm operations. The FCA does not have the authority to expand farm credit institutions’ powers beyond those determined by Congress. There is no federal law that authorizes farm credit institutions to make debt or equity investments for the general welfare of rural communities. The Farm Credit Administration is not free to create massive investment authority for farm credit institutions that does not exist under federal law.

The proposed regulation seeks to allow farm credit institutions to make investments in rural communities with populations of up to 50,000 people. That population figure is arbitrary, does not necessarily describe a “rural” community, and is subject to expansion in future years completely unrelated to rural policies.

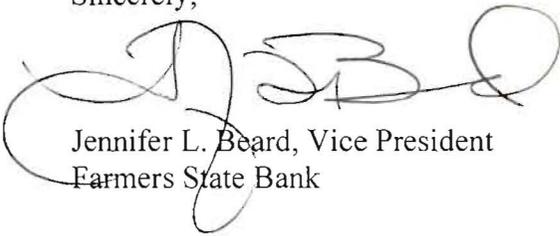
The proposal also leaves open the possibility that investments other than those mentioned in the regulation may be approved for farm credit institutions at the discretion of the FCA. Therefore, the proposal is not “only for specific purposes” as FCA suggests but is quite open-ended going forward.

Congress, not the FCA, determines the powers of farm credit institutions. The proposed “rural community investment” authority goes beyond the limits of what Congress has enacted. It is yet another attempt to provide

expanded powers for a government-assisted Farm Credit System that will further harm the competitive position of community banks.

For these reasons, I strongly object to the proposed regulation and urge the FCA to withdraw this misguided proposal.

Sincerely,

A handwritten signature in black ink, appearing to read 'JL Beard', written in a cursive style.

Jennifer L. Beard, Vice President  
Farmers State Bank