



FARM CREDIT BANK OF TEXAS

August 22, 2008

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

Re: Notice of Regulatory Review; Request for Comment
73 Fed. Reg. 35361 (June 23, 2008)

Dear Mr. Van Meter:

We appreciate the agency's on-going effort to reduce the burden of unnecessary, ineffective, and overly burdensome regulations on the institutions of the Farm Credit System as reflected in the notice of regulatory review and request for comment published in the June 23, 2008 edition of the Federal Register. We support the agency in this effort to improve the regulatory framework in which System institutions operate. Our comments to the six areas of the regulations for which FCA has specifically solicited comment, although it is our understanding that there are a number of other areas, including board nominations and elections, capital adequacy, loan syndications, and investment management, in which FCA is currently conducting a separate review preliminary to the development of new regulations on those topics. Although we have not included any comments on those topics, it is in those areas where the need for regulatory relief is greatest, and we strongly urge FCA to continue its efforts to modernize its regulations in those areas.

Part 614 – Loan Policies and Operations

Section 614.4165(d).

Section 4.19 of the Farm Credit Act requires each association to prepare programs for providing credit and related services to young, beginning, and small farmers and ranchers under policies of the district Farm Credit Bank board, which program shall be subject to review and approval by the supervising bank. Under section 614.4165(b) Farm Credit Bank YBS policies are required to direct associations to establish YBS programs that ensure coordination with other System institutions and other governmental and private

sources of credit and provide reports of YBS operations and achievements to the funding bank. Subsection (c) requires association YBS programs to contain other minimum components including a mission statement, quantitative targets, qualitative goals, and methods to ensure safety and soundness. Subsection (d) provides for the supervising bank to review association programs, but only with respect to the requirements of subsection (c) not those of subsection (b). This distinction does not appear to be consistent with the Act, it serves no apparent purpose, and it results in a confusing and burdensome differentiation in the bank's approval process. The bank's approval of the association's program should be based on compliance with the bank's policy as provided in the statute.

Section 614.4341.

This regulation prohibits reversal of financial assistance under the 37-Bank Capital Preservation Agreements. This regulation is obsolete and unnecessary.

Part – 617 – Borrower Rights

Section 617.7015

Section 617.7015(c) provides that when a qualified lender sells a loan subject to borrower rights to a nonqualified lender, either (1) the qualified lender and the borrower must agree to include provisions in the loan contract or a written modification thereto that the buyer will be obligated to provide the borrower the same rights as the qualified lender is required to provide, or (2) the qualified lender must obtain the borrower's signed written consent to the sale clearly stating that the borrower waives borrower rights. We have previously commented to the agency that this regulation is unduly restrictive, particularly with respect to parties who have a junior lien or other interest in the loan, or who have primary or secondary liability on the loan. The inability of these parties to obtain a transfer of a System lender's note and lien without incurring the obligation to provide borrower rights, with which, as a practical matter, they cannot effectively comply, prevents them from using a legal device to protect their interests that is otherwise commonplace in the commercial world. While the requirements of section 617.7015 could perhaps be justified for some sales to third parties who have no prior interest in or liability on the loan, it is difficult to see how the policies of the Act are served by imposing borrower rights obligations on junior lienholder or family members who may have co-signed or furnished collateral for a borrower's loan.

Section 617.7135

There are a couple of ways in which the burdens imposed by this section could be relieved. First, we think that the period in which disclosure must be made should be made the same for all loans, whether or not the rate is tied to an external index. This would simplify the disclosure process for FCS institutions without materially harming the

interests of borrowers. Second, we think that where an interest rate is based on an widely published external index plus a spread, disclosure of a change of rate should not be required merely when the index changes, but should be required only when the change of rate is caused by a change in the spread. Changes in an external index can be readily identified and verified by borrowers, and notice would not have much impact on a borrower's decision to refinance with another lender, whereas changes in the spread might not be anticipated and may have an impact on this decision.

Part – 618 – General Provisions

Section 618.8025 - -Feasibility Reviews.

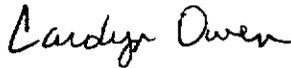
This regulation requires the board of directors for the bank to verify that an association has performed a feasibility analysis before offering a related service for the first time. This review is limited to a determination that the analysis is complete and establishes that it is feasible for the association to provide the services. This bank board review is not required by the Act, is burdensome, and accomplishes very little that could not be performed just as well by FCA examination personnel.

Section 618.8040(b)(9) -- Notice that insurance is optional.

This regulation requires that the borrower sign the written notice that any insurance offered by a System institution is optional is not required by the Act and should not be required. While it may be good practice to have borrowers sign such disclosures to evidence receipt, many borrowers may regard the need for additional signatures as an imposition. As long as an institution has procedures in place that ensure that notice is given, it should have the option of determining whether the borrower should sign the notice.

Thank you for the opportunity to submit comments on these unduly burdensome regulations.

Sincerely,



Carolyn Owen
Vice President and Deputy General Counsel