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August 31, 2009

Mr. Gary K. Van Meter
Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090
regcomm@fca.gov
RIN 3133-AD41

RE: Proposed Revisions of Interagency Questions and Answers Regarding Flood Insurance

Dear Mr. Van Meter:

AgStar Financial Services, ACA (AgStar) appreciates the opportunity to comment on the Farm Credit Administration's (FCA) proposed revisions of interagency questions and answers regarding flood insurance that was published in the July 21, 2009 *Federal Register.*

AgStar, one of the nation's largest Farm Credit associations, is a member-owned cooperative and a part of the Farm Credit System ("System"). One of AgStar's main missions, and indeed the main mission of the entire System, under the Farm Credit Act is to support agriculture and rural America.

Specific Comments

Questions 9 and 10 Regarding the Insurable Value of a Building. The insurable value of a building, per FEMA guidelines, is the same as 100% replacement cost value of the insured building. The Agencies and FEMA are considering two alternatives to determining replacement cost value for non-residential buildings used for ranching, farming or industrial purposes, which the borrower either would not replace if damaged or destroyed by a flood, or would replace with a structure closely aligned to the function that the building is providing at the time of the damage.

The first alternative is the functional building cost value, which is the cost to replace a building with commonly used, less costly construction materials and methods that are functionally equivalent to obsolete, antique or custom construction materials and methods used in the original construction of the building. The second alternative (and the subject of this comment) is the demolition/removal cost value, which is the cost to demolish the remaining structure and remove the debris after a flood. Borrowers and/or lenders may choose the second alternative when the building being insured is not important to the business operation and would not be repaired or replaced if damaged or destroyed by a flood.

Many farm properties, as you are aware, contain numerous buildings. Often, such farms are "century" farms which have expanded over the years. As technology improves and farms are sold or passed on to the next generation, modern buildings are added without removing the older buildings. Thus, there may be many buildings with poor utility and little to no value on many farm properties. Currently, it is required that all buildings on the farm property be covered by flood insurance. The flood insurance on the buildings of no value is the insurable value. Although the insurable value on such buildings can be the "demolition/removal cost value" and on paper such an alternative seems reasonable, in reality the costs of this alternative may add up on some properties or on older sites where many buildings are abandoned but still exist. Many farmers would be forced to pay insurance costs that may exceed the costs/value of the actual property insured. Additionally, the fact that flood insurance is required on such abandoned and value-less properties makes little sense.

It may be more appropriate for the FCA to require insurance only on those buildings that have current functional utility, have a measurable value that exceeds the costs of insuring such buildings, and are not abandoned.

Once again, AgStar appreciates this opportunity to comment on the questions and trust that our comments will assist the FCA. If you have any questions, please do not hesitate to contact me (507-345-5631).

Respectfully submitted,

David R Hoelmer

David R. Hoelmer
Sr. Vice President and General Counsel

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