

**Summary of Comments by
The Honorable Kenneth A. Spearman
American AgCredit, ACA, Board of Directors
Santa Rosa, California
May 18, 2011**

FCA Board

We now have the most diverse board in FCA history: Jill Long Thompson from a political background, Lee Strom from a farming background, and Ken Spearman from financial/accounting background.

Role as Board Member

- As an independent Board Member, each member has to figure out—within the limits of stringent Government ethics rules—how best to fulfill his or her job requirements.
- I believe it's important to interact with System management and director-members to understand what's going on, while recognizing the specific roles of the regulator and the regulated party.

Role of FCA

- I believe FCA should focus on its primary purpose as a financial institution safety and soundness regulator; we need to effectively monitor System operations and act swiftly when we find problems or troublesome risks in the System.
- Transparency of FCA's operations is important so that the public can clearly see and understand what we are doing.

System Structure/Mergers

- CoBank–U.S. AgBank merger would be biggest in System history, so FCA is doing an extremely thorough review of the application. I can't comment further because approval of the application is pending before the FCA Board.
- I believe in the importance of the role of shareholders in making decisions about structure and encourage boards to always act in best long-term interests of customers. FCA's role in the merger process is to ensure safety and soundness and adequacy of disclosure.

Recent FCA Board Regulatory Actions

- Recent FCA action focused on safety and soundness issues: At May FCA Board meeting, we adopted a final rule lowering general lending and leasing limit from 25 percent to 15 percent. This is in accordance with existing prudent limits used by most institutions already.

- We are working on new rules on investment management and liquidity and funding issues, which follow up on booklet guidance issued in the last year.
- Dodd-Frank financial reform legislation largely exempted the System. However, FCA worked with other regulators led by CFTC on recent rulemaking implementing derivative trading rules. FCA—like all other financial regulators—is also required to remove all references to credit ratings in its rules. We are currently in the process of trying to identify how to do that in connection with our investment and capital rules.

Mission

- FCA Board adopted an important proposed rule at its April Board meeting requiring System institutions to incorporate concepts of diversity and inclusion into their business planning process, both in the human capital area and in marketing plans.
- FCA wants to ensure that the System is meeting its fundamental mission of serving “all” creditworthy agricultural producers. This includes not only women and minorities but also nontraditional farmers, such as organic farmers and those in local food systems—including urban agriculture.
- I believe that serving “all” creditworthy borrowers requires certain outreach efforts to reach potential borrowers who may not have considered Farm Credit in the past.
- Growing the borrowing base of the System—through YBS and other outreach efforts — is vitally important for the long-term viability and relevance of the System.

FCSIC

- I also serve as Chairman of FCSIC; goal is to maintain Insurance Fund at 2 percent secure base amount.
- In January, FCSIC Board set premiums at 6 basis points for 2011 based on anticipated System growth of 5 to 7 percent.
- We are continuing to monitor growth, will revisit amount of premiums if necessary at June Board meeting.