



## Customer Choice Comment Period Closes

The Farm Credit Administration (FCA) received 228 comment letters on the proposed customer choice regulation during the public comment period which closed May 10. Respondents included Farm Credit System (FCS or System) institutions, FCS borrowers, national and statewide bank trade associations, commercial banks, state agricultural councils and commissioners, and concerned citizens in agriculture.

“We are pleased with the many comments we received,” said FCA Board Chairman Marsha Pyle Martin. “This demonstrates a strong interest in the proposed regulation.”

Ninety-nine FCS institutions representing all seven Farm Credit districts commented on the proposed rule. In five of the seven FCS districts, a majority of the FCS institutions commenting voiced support for the proposal. In two districts, no System institutions opposed it. Six Farm Credit banks submitted comments with four supporting the proposed rule and two opposing it. The Farm Credit Council also supported the rule. Overall, the FCS institutions supporting the proposed rule accounted for almost 77 percent of the total assets of the commenting System institutions.

Outside the System, the American Bankers Association and the Independent Community Bankers of America both opposed the rule, along with seven statewide bank trade associations and several commercial banks. Supporting the rule were an agricultural council in New York and the commissioner for the New Hampshire Department of Agriculture. One state agriculture commissioner opposed the rule.

Last October the FCA Board approved the proposed rule which eliminates geographic barriers that can prevent an FCS lender from serving customers outside its designated territory. After a 30-day congressional review period, the proposed rule was published in the *Federal Register* for a 90-day public comment period, ending February 8, 1999. In response to several requests, FCA extended the comment period another 90 days until May 10.

The proposed customer choice rule would allow all FCS institutions to lend across geographic boundaries. Generally, FCA policies have limited out-of-territory lending by FCS institutions without obtaining prior consent.

The proposed rule would not change the types of loans an association can make. Federal Land Bank Associations and Federal Land Credit Associations could still make only long-term mortgage loans under title I of the Farm Credit Act (Act). Production Credit Associations would continue to be limited to making short- and intermediate-term loans under title II of the Act. Agricultural Credit Associations, on the other hand, have authority to make long-, intermediate-, and short-term loans to eligible borrowers.

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## 1999 Association Information Exchange

“Building a  
Foundation for  
the Twenty-First  
Century”

### FCA Wraps Up Association Information Exchange Meetings

Almost 300 representatives of FCS associations attended the 1999 Association Information Exchange meetings sponsored by the FCA. This year's information exchanges included four meetings held in three locations — two meetings in Las Vegas, and one session in both Dallas and Miami. The information exchanges have been held annually since 1992.

“We always get so much from these meetings,” said FCA Board Chairman and CEO Marsha Pyle Martin. “And directors and employees tell us they receive value from them, too.”

Martin kicked off each meeting as the banquet speaker on the theme of the conference — “Building a Foundation for the Twenty-First Century.” She asked each audience, “How solid is the foundation we have spent almost a century in building?” Noting the System has strong capital, credit quality, and

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## Meetings (continued from page 1)

earnings, Martin said she believes it has a solid foundation. But she also cautioned that the System must continue to strengthen that foundation while focusing on the needs of “the agriculture and rural America of the future.”

Martin said that following its work on the capital and customer regulation, the FCA Board turned its attention to developing a vision for the future. “We formed a vision that is simplistic in concept, but so vital for the future,” she said. “Our vision is simple because it focuses on what is best for the farmer.” Martin described how this vision helped the Board formulate its philosophy statement on competition. She noted the new philosophy supports customer choice by removing exclusive territorial boundaries and allowing associations to choose their funding bank. She also said the FCA Board supports all FCS entities having title I, II, and III authorities.

“This is all about your right to choose and your customers’ right to choose,” said Martin. “It is also about your being a major player in financing agriculture in the 21st century.”

Martin pointed out that FCA, as the System, has been involved in downsizing, budget cuts and reorganizations during the past few years. She also addressed how FCA is striving to be a premier regulator with the “best people, best practices, and best products.” She emphasized that FCA’s mission is not only to keep the System safe and sound, but also to keep it competitive and successful.

Board member Ann Jorgensen talked about meeting customers’ needs — today and in the future. “It is important to listen to our customers,” she said. “I believe success in the future will be because you focus on customers’ needs.”

Jorgensen noted a shift in the customer base is having an effect on the System’s operations. “The number of mid-size farming operations, the traditional customer base of the System, is shrinking,” she said. “At the same time, the number of large agricultural operations and part-time/lifestyle borrowers is increasing.” She said these changes are causing associations to look at new services and explore and develop alliances — both within and outside the System. She noted alliances can also be used as a way to mitigate risk and to create efficiencies by pooling resources.

“We need to make sure the System has the tools and the structure needed by agriculture and rural America in order to remain competitive,” Jorgensen said. “I believe that we and the System are up to the challenge,” she added.

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**Chairman Marsha Pyle Martin**

Board member Michael Reyna shared his philosophy and views as a new member of the FCA Board. As Chairman of the Farm Credit System Insurance Corporation (FCSIC) Board, he also addressed FCSIC issues, including the recent increase in the insurance premiums. “The Corporation will review premium rates again shortly after mid-year,” Reyna said. He informed the association participants that the

Corporation is looking at ways to revise the timing of its reviews to better coordinate with the budget cycle used by System institutions.

The information exchange meetings also included presentations by FCA office directors on the 106th Congress and beyond, regulation and policy outlook, managing stress in the FCS, risk management tools, and expanding opportunities: legal update. Each meeting also featured a panel of System representatives who discussed “Year 2016 — A Glance Back at 100 years of FCS.”

The panel participants at the four meetings were:

Las Vegas (1) — Roger Bowley, President and CEO, Sierra-Bay Farm Credit Services; Mary Fritz, Chair, Northwest Farm Credit Services, ACA; Bill Lipinski, President and CEO, First Pioneer Farm Credit; Brady Porter, Chairman, PCA of Southern New Mexico; and Alan Jaax, President and CEO, Farm Credit Services of Central Kansas, PCA, FLBA.

Las Vegas (2) — Terry Anders, President, FCS of Mountain Plains, PCA, FLBA; Lynn Dantzler, President and CEO, Edisto Farm Credit; Darrel Jans, President, FLBA of North Louisiana; Carl Weiler, Chairman, Farm Credit Services Southwest, ACA; and Joe T. Kelly, Chairman, Great Plains PCA.

Dallas — Jerry Boehme, President, FLBA of Yosemite, FLCA; Paul A. De Briyn, CEO, AgStar Farm Credit Services, ACA; James E. McElroy, Chairman, FCS of Mid-America, ACA; and Robert VanWinkle, Chairman, Sabine River FLBA.

Miami — Ted F. Conover, President, Heritage FLBA; Dan Crumpton, Chairman, South Central Farm Credit, ACA; Don Goldston, President, El Campo PCA; and Robert Tetrault, Chairman, Farm Credit of Maine, ACA.



FCA Board Member Michael Reyna, left, receives the 1999 Sol Solinas Rural Housing Award from Stan Keasling, a member of the board of the California Coalition for Rural Housing and executive director of the Rural California Housing Corporation. The award incorporates original textile art handcrafted by Hmong women, who are low-income residents of an affordable housing property. Many of the Hmong, who are from Southeast Asia, relocated to the United States after the Vietnam War to avoid political persecution.

## Board Member Michael Reyna Receives Rural Housing Award

FCA Board Member Michael Reyna is the recipient of the 1999 Sol Solinas Rural Housing Award. The award was presented to Reyna April 19 during the Housing California Conference in Sacramento.

More than 1,300 attended the annual conference of the statewide coalition, which brings together housing developers and advocates from across California to discuss housing policy, programs, and strategies. The award was in recognition of Reyna's "outstanding leadership of the California USDA Rural Development program from 1993 to 1998" and his "dedication to the belief that all people deserve a decent home."

Upon receiving the award, Reyna said, "As many of you know, the Farm Credit System has a mandate to serve rural America. I encourage each of you to look to the System as a partner when attempting to house rural residents." He also spoke of the strong commitment and increased efforts by Farm Credit System associations to meet the significant and growing challenge of housing rural residents and acknowledged efforts by Board Member Ann Jorgensen encouraging System institutions to focus on rural housing opportunities.

The award is named in honor of Sol Solinas, a gentle and simple man who was known for his straight-forward determination and who dedicated his life to building rural housing. He was a mentor and father figure to many people in the rural housing community.



## Is There a Credit Crunch Today?

At a recent House Agriculture Subcommittee hearing, the question was asked, "Is agriculture experiencing a credit crunch?" The short answer is no — but there is an income crunch. Recent news reports cite the hard times many farmers are experiencing with low commodity prices — for some commodities, the lowest in 50 years — and low yields. Many farmers worry they will not be able to obtain the financing needed to continue farming.

"The cash flow of some farmers will be reduced significantly in 1999 and into 2000 because of the current conditions," according to Thomas G. McKenzie, director, Office of Policy

and Analysis. "This likely will affect their creditworthiness. To these farmers, it could seem like the beginning of a credit crunch," he said.

McKenzie noted that, overall, agricultural lenders have ample funds to help farmers weather the storm. Therefore, the problem is more of an income crunch rather than a credit crunch.

In some areas of the country, though, USDA has exhausted funds for such assistance. Also, there have been reports of slow response times to applications. "No doubt these conditions have contributed to the perception of a credit crunch for farmers," McKenzie said.

"While some lenders may feel the need to tighten their standards, the FCS is unique in its nature and must not abandon its customers," McKenzie said. He pointed out that the FCA Board recently issued a policy statement encouraging institutions to work with borrowers in times of stress. The policy urges

relief for pork producers and reminds System institutions that they have the flexibility to, among other things, extend loan terms or restructure a borrower's debt.

While it may seem like a credit crunch, McKenzie pointed out that on a macro basis, a national credit crunch does not exist in either the FCS or the commercial banking system. "The FCS, due to its GSE status and funding mechanism, has the funds needed to make prudent loans," he said. "Plus, the FCS has more financial capacity now than it has had in years."

Commercial banks also have several sources of funds for agriculture. In addition, many non-traditional lenders, such as John Deere and Pioneer Hi-Bred, are expanding the financial products they offer farmers. "So as you can see, there is not a national shortage of funds for lending to America's farmers and ranchers," McKenzie said.

## FCA, FCS Confident About Y2K Readiness — Are Your Customers?

improvement to developing Y2K contingency plans since December 31, 1998.

The improvement made over the last quarter brought the FCS up to par with the financial institutions rated by the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency. Both reported a 97 percent compliance rate in their March 1999 reports. The Federal Reserve Board reported a 98 percent compliance rate as of March 1999. Results from the National Credit Union Administration are not yet available.

A major part of FCA's action plan to achieve internal Y2K compliance called for testing all FCA units by March 31, 1999. All testing was completed by that deadline. Of 27 mission-critical systems, 26 are Y2K compliant. The non-compliant system is in the "to be replaced" category and does not pose a threat to continuity of operations.

Internal and external Y2K plans called for developing contingency plans to ensure essential services are

operational should core business processes fail. Contingency plans call for the FCA to have a command post to monitor systems and processes and confirm that all systems and point-to-point connections are functioning.

Plans also call for FCA to form response teams that will react to any problems arising during the non-business days of December 31, 1999, and January 2, 2000. Employees scheduled to support the effort in the FCA's headquarters and all field offices have been informed of work schedules and responsibilities.

The majority of the FCA's work so far has focused on ensuring internal and external systems are Y2K ready. Now the FCA is turning its efforts to one of the most important phases of Y2K—consumer education. The Agency will be stressing consumer outreach activities, and it plans to update the content of its Web site regularly to reflect the latest Y2K information.

**T**he Farm Credit System is making steady progress toward ensuring Year 2000 (Y2K) compliance. March 31, 1999 survey results compiled by the Office of Examination (OE) show 199 FCS institutions, or more than 97 percent, were rated "satisfactory." Only 5 institutions, or less than 3 percent, were rated "needs improvement." No institutions were rated "unsatisfactory." This is an improvement from 90 percent "satisfactory" and 10 percent "needs improvement" for the previous quarter. The OE credits this

### Comment Period

#### Closes (continued from page 1)

FCA staff is currently analyzing the comments. The FCA Board plans to consider a final customer choice rule at its September meeting.

Copies of all comment letters received are available for review by the public. To obtain copies, contact Patsy DiMuzio, Director, Regulation and Policy Division, at 1501 Farm Credit Drive, McLean, Virginia, 22102-5090, by telephone at (703) 883-4498, or by e-mail at [dimuziop@fca.gov](mailto:dimuziop@fca.gov).

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Editor  
Office of Congressional and Public Affairs  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, VA 22102-5090  
Phone: 703-883-4056  
Fax: 703-790-3260  
E-mail: [info-line@fca.gov](mailto:info-line@fca.gov)  
Web site: <http://www.fca.gov>

**Chairman and CEO**  
**Marsha Pyle Martin**

**Board Members**  
**Ann Jorgensen**  
**Michael M. Reyna**

The Farm Credit Administration is the Federal agency responsible for the regulation and examination of the Farm Credit System, a nationwide network of cooperatively owned agricultural lending institutions and their service organizations.