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June 24<sup>th</sup>, 2015

Submitted via email: [reg-comm@fca.gov](mailto:reg-comm@fca.gov)

Ms. Laurie A. Rea, Director,  
Office of Secondary Market Oversight,  
Farm Credit Administration,  
1501 Farm Credit Drive, McLean, VA 22102-5090

Re: 12 CFR Parts 650, 651, 653, and 655; RIN 3052-AC89; Farmer Mac Corporate  
Governance and Standards of Conduct Proposed Rule

Dear Ms. Rea.

Please find below our comments on behalf of the Independent Community Bankers of America (ICBA)<sup>1</sup> regarding the Farm Credit Administration's (FCA) proposed rule related to Farmer Mac's corporate governance issues. We appreciate the opportunity to comment.

## **Background**

The FCA states its proposed rule is aimed at clarifying and enhancing existing regulations related to the Federal Agricultural Mortgage Corporation (Farmer Mac) Board governance and standards of conduct including director election procedures, conflict-of-interest, and risk governance among other provisions.

## **Comments**

The FCA's proposal, published in the *Federal Register* on March 26<sup>th</sup> 2015, contains a provision that could dramatically alter the fifteen member board of Farmer Mac by changing the relationship between board members and the shareholders who elect them. Section 651.30(c) of FCA's proposal requires each and every one of the elected directors to have an official

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<sup>1</sup> The Independent Community Bankers of America®, the nation's voice for more than 6,000 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-Class education and high-quality products and services. With 52,000 locations nationwide, community banks employ 700,000 Americans, hold \$3.6 trillion in assets, \$2.9 trillion in deposits, and \$2.4 trillion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at [www.icba.org](http://www.icba.org)

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affiliation, defined as having a substantial and visible connection with a voting stockholder at the time of nomination and election in order to serve as a director.

We are concerned this provision could significantly impact board members which represent the banking industry and other Class A shareholders. While community banks are Class A shareholders, not all Class A shareholders have the same interests. Under this provision, it would be possible for large bank or large financial institution representatives to be paid to represent large banks or large financial institutions on the Farmer Mac board.

Large banks and other large financial institutions have greater capacity to purchase shares of Farmer Mac Class A stock and therefore have greater access to Farmer Mac's board positions. As Farmer Mac board members, Class A shareholders as well as other shareholders are expected to engage in decision-making that best represents Farmer Mac's interests on behalf of all players in the secondary market. They should not be subject to control or undue influences by outside organizations which would be one result of FCA's proposed requirement that board members have a substantial and visible connection with a voting stockholder (i.e. large institution).

While we understand the Farm Credit Council is behind this proposal because of its desire to have a heavy-handed and top-down stranglehold on FCS institutions and their employees and representatives, we believe this proposal will result in harming the secondary market for ag real estate mortgages. We also strongly believe the five Class B members of the board should not be subject to undue influences of the Council, CoBank and other large FCS entities, which would be a result of this proposal.

In addition, five of the fifteen members are appointed by the President. These five members undergo a vetting and clearance process that takes into account ensuring they have appropriate backgrounds to serve on Farmer Mac's board. Further, FCA has failed to provide an adequate explanation and justification for why this provision is needed.

Farmer Mac has successfully grown the secondary market and has provided a valuable tool for rural lenders and borrowers. As such, Farmer Mac needs to be allowed to continue to grow the secondary market to the benefit of rural customers without infringement from large financial institutions – including those inside and outside of the FCS – which desire to inappropriately influence Farmer Mac's board. This proposal will cause material harm to Farmer Mac and the rural constituencies they serve both directly and indirectly. Please withdraw this provision and the proposed rule and issue a new rule without this provision in it. Should you wish to discuss this issue further, please contact Mark Scanlan at [mark.scanlan@icba.org](mailto:mark.scanlan@icba.org) or 202-659-8111.

Thank you for your attention to our views.

Sincerely,

/S/

Mark Scanlan  
Sr. Vice President, Agriculture & Rural Policy

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