

May 8, 2013

Dear Senator and Representative:

The American Bankers Association (ABA) and the Independent Community Bankers of America (ICBA), which represent the vast majority of all banks and banking assets in the U.S., vigorously oppose any expansion of the tax-advantaged Farm Credit System (FCS). We therefore strongly urge that there be no amendments added or provisions included either during the farm bill markup or floor proceedings that would expand FCS authorities.

The FCS is a Government Sponsored Enterprise (GSE) that competes directly with banks and other non-government credit providers. The FCS enjoys funding and tax advantages that place private capital at a disadvantage, and, as a GSE, places taxpayers at risk. The tax advantages of the FCS were recently highlighted by the former Chairman of the Farm Credit Administration. In a 2012 speech, he noted FCS's tax exemption alone was worth approximately \$600 million of the System's \$4 billion in net earnings for 2011. The value of the FCS tax exemption and net earnings have only grown larger since that time.

As recently as 2008, Congress refused to allow expanded business lending authorities for the FCS during consideration of the 2008 Farm Bill. The FCS currently has the authority to make loans to farm-related service businesses that serve farmers and ranchers' on-farm operating needs. We would oppose, for example, any effort to allow FCS to extend credit not only to farmers, but also for the credit and related needs of "businesses they rely on" or similarly worded amendments. Allowing FCS to extend credit to "businesses" opens up a vast, new and undefined lending category. Any business only tangentially-related to agriculture would be eligible for FCS credit with this type of language.

ABA and ICBA believe Congress should establish measurable lending targets for all FCS lenders to meet in serving young, beginning and small farmers in order to ensure the benefits bestowed upon them by taxpayers are going to those who need assistance the most. We would be pleased to work with members further on these issues and to make any additional recommendations but strongly urge Congress to oppose any provisions that increase the tax-advantaged FCS lending parameters.

Sincerely

American Bankers Association

Independent Community Bankers of America