



FARMERS' LEGAL  
ACTION GROUP  
INCORPORATED

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January 20, 2004

Mr. Robert Coleman  
Director, Regulation and Policy Division  
Office of Policy and Analysis  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, VA 22102-5090

Dear Mr. Coleman:

Re: Comments on Proposed Rule for Services to Young, Beginning, and Small Farmers, 68 Fed. Reg. 53,915 (September 15, 2003).

Farmers' Legal Action Group, Inc. (FLAG) submits these comments on behalf of the National Family Farm Coalition (NFFC) concerning the proposed rule involving service to young, beginning, and small farmers by Farm Credit Administration institutions, published at 68 Federal Register 53,915 (September 15, 2003).

NFFC represents 34 grassroots farm and rural advocacy organizations in more than 30 states. The coalition was formed in 1986 to coordinate the efforts of a growing network of grassroots organizations concerned with maintaining a family farm system of food production. NFFC's work includes education, outreach, and advocacy for stable rural communities, safe food, and the preservation of natural resources through family farming. NFFC has long been interested in the Farm Credit Administration's role in providing agricultural credit to family farmers.

FLAG is a nonprofit, public interest law center dedicated to the preservation of family farms. For over fifteen years, FLAG has provided legal services to thousands of small and mid-sized family farmers throughout the nation in class action lawsuits, administrative proceedings, public education initiatives, and legislative technical assistance involving agricultural credit issues.

NFFC appreciates the opportunity to comment during this extended comment period on the proposal to adopt formal regulations for provision of services to young, beginning, and small farmers by the Farm Credit Administration.

### **The Proposed Rules Are Needed to Achieve the Statutory Mandate**

The National Family Farm Coalition believes that the proposed rules are a step in the right direction. Regulatory minimums which must be met by each Farm Credit institution are needed in order for the Farm Credit System to fulfill its public purpose as a government-sponsored enterprise, including the statutory mandate to serve young, beginning, and small farmers. Many of these farmers are financially viable, but find that fewer and fewer private lenders in their local areas will serve them, because these lenders simply no longer make agricultural loans. The proposed rule is an important first step toward increasing the number of loans made by Farm Credit institutions to young, beginning, and small farmers, as well increasing the quality of assistance and services provided to these farmers. Affordable credit and genuine outreach are basic necessities for individual farmers who are just starting out or who choose to operate on a small scale, as well as for our nation's farm policy as a whole.

### **Amendments to the Proposed Provisions Concerning Mission-Setting and Annual Reports Are Needed to Improve Transparency and Accountability in the Farm Credit System**

In general, the proposed requirements for annual reports to shareholders that will reflect upon how each Farm Credit institution fulfilled its mission to serve young, beginning, and small farmers should help improve transparency and accountability within the Farm Credit System.

The National Family Farm Coalition believes that reports compiling data relating to the gender and ethnicity of approved borrowers would provide additional, invaluable information. It is not enough to note, as the preamble to the proposed rules does, that the Farm Credit System's mission is to serve all farmers and ranchers. Agricultural lending has long been the subject of invidious discrimination. As a government-supported entity, the Farm Credit Service has a duty to provide equal protection of the law. Gathering basic data about the gender and ethnicity of the farmers served will help the Farm Credit Service, shareholders, and the public to monitor whether access to credit from its institutions is being provided equally across categories of ethnicity and gender.

### **The Final Rules Should Require Farm Credit Institutions to Set Goals for Loan Restructuring and Loan Servicing for Young, Beginning, and Small Farmers**

One measure of the quality of service provided by a lender is the existence and appropriate utilization of procedures to restructure debt in order to help borrowers weather short-term adversity or restructure farming operations in order to remain on the land. While loan servicing requirements are already part of the Farm Credit Services regulatory structure, as seen in 12 C.F.R. pt 614, subpart N, these services are of such importance that they deserve to be explicitly mentioned as essential components of the mission of each institution within Farm Credit Services to serve young, beginning, and small farmers. Loan restructuring needs to be made more readily available to young, beginning, and small

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farmers in instances where it would help the farmer to remain on the land, as a potential customer of Farm Credit Services for years to come.

The National Family Farm Coalition believes that Farm Credit institutions would not need to re-invent the wheel if they were required to establish processes and set goals for providing loan restructuring to borrowers in default, or in danger of default. Many models of loan servicing programs, such as the primary and preservation loan servicing offered by the Farm Service Agency (see 7 C.F.R. pt. 1951, subpart S), may be found in agricultural lending. Some of these loan servicing options, such as the disaster set-aside program offered by the Farm Service Agency (see 7 C.F.R. pt. 1951, subpart T) have little or no cost for the lender, but can make a dramatic difference for the borrower. These types of loan restructuring offer models of loan services tailored to the needs of young, beginning, and small farmers. Prompt and fair loan restructuring can be a win-win for borrower and lender, but experience shows that some lending institutions will only explore loan restructuring if required to do so.

Thank you for your consideration of these comments.

Sincerely,

FARMERS' LEGAL ACTION GROUP, INC.

*s/Jill E. Krueger*

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