



1120 Connecticut Avenue, NW
Washington, DC 20036

1-800-BANKERS
www.aba.com

Memo

*World-Class Solutions,
Leadership & Advocacy
Since 1875*

Date: July 26, 2007

To: Members of the U.S. House of Representatives

From: Floyd Stoner, Executive Director, Congressional Relations & Public Policy

RE: Support for Frank/Bachus Amendment to H.R. 2419, Farm Bill Extension Act of 2007

On behalf of the members of the American Bankers Association (ABA), I am writing to express our strong support for an amendment being offered by House Financial Services Committee Chairman Barney Frank and Ranking Member Spencer Bachus to H.R. 2419, the Farm Bill Extension Act of 2007. The amendment would remove provisions that would authorize the Farm Credit System (FCS) to continue to shed its farm mission and instead move aggressively into corporate and residential lending.

The Farm Credit System (FCS) is a \$163 billion tax advantaged, direct lending Government Sponsored Enterprise (GSE) that was chartered by Congress to provide credit to farmers, ranchers, farm cooperatives, and rural home owners. As a GSE, the FCS was granted special privileges to serve its mission, including tax advantages that have reduced its tax bill to almost zero and direct access to preferential long-term borrowing authority in the government debt market. The FCS has also utilized the direct backing of the American taxpayer. The FCS should leverage these GSE privileges in the service of its mission to farmers and ranchers, not in the service of its own ambitions.

The Frank/Bachus amendment would remove from the Farm Bill provisions that authorize FCS lenders to move away from agriculture into general purpose lending. Under the bill language, the FCS would be permitted to make general purpose business loans in every economic sector (transportation, construction, marketing, handling, etc.) that touches renewable energy, even when they are not actually producing renewable energy. In the case of the largest FCS institution, Cobank, another provision would eliminate any restriction on loan purposes altogether, meaning that this government-backed lender could offer taxpayer-subsidized credit to businesses that are engaged in all manner of activities unrelated to agriculture.

An additional bill provision would expand the System's fully tax-exempt home mortgage lending authority to larger communities without a maximum dollar limit on the size of the loans and without a requirement to address affordable housing needs (which other GSEs are required to do). These new GSE expansions would harm the farm mission of this GSE, displace private sector financial institutions in local communities, and undermine the cooperative nature of the FCS and farmer-owned cooperatives.

This issue is very important to our member institutions. **We urge you to vote for the Frank/Bachus amendment.**