

OPPOSE FCS EXPANSION INTO NON-FARM LENDING



- Please oppose the Farm Credit System's legislative proposals targeting the new Farm Bill.
- **The FCS is a government-sponsored enterprise (GSE) with tax and funding advantages** that seeks to stray from its statutory mission of exclusively serving agriculture.
- I am concerned allowing FCS to do commercial business loans will devastate community banks in our rural towns and harm many rural communities by decreasing tax revenues.
- FCS's proposal to offer 'business services' will damage many businesses in the service sector as well, like accountants and insurance agents.
- With these authorities the government-sponsored FCS could finance virtually any business on Main Street as well as large retailers, manufactures and publicly traded corporations.
- **Primarily engaged'** would be a meaningless limitation on the new commercial lending authority given the lax regulation of the FCS Charter by the FCA.
- **No new loans would be made** that are not already being made by the private sector. FCS would be empowered to shift business, consumer and mortgage loans away from private sector banks to their own portfolios.
- **FCS's proposals do not target underserved markets** and serve no public purpose.
- FCS claims their proposals foster competition and 'won't cost taxpayers anything'. That's not true. FCS's proposals would drive many tax-paying community banks out of business, causing huge losses of tax dollars for local and state governments. This money is needed to sustain local community infrastructures and services. FCS only paid an effective federal-state-local tax rate of 3.5 percent in 2006.
- Ultimately, FCS could 'Wal-Martize' Main Street, causing the loss of many rural businesses in the services sector. This will also result in the loss of many rural jobs.
- Over 6,700 community banks serve towns of 20,000 people or less. There's an abundance of both competition and credit. What's the need for expansion of FCS powers?

Conclusion

- FCS's loan volume the last half of 2006 grew by over 16 percent and their assets grew over 14 percent – under current authorities. ***That's the fastest growth rate they've experienced since 1981.*** They just don't need expanded powers.
- Please tell the congressman to oppose FCS expansion. These are not minor changes or technical adjustments. They are very broad, significant expansions.