January 24, 2022

Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street, Alexandria, VA 22314-3428

RE: Docket #NCUA-2021-0100; Comments on NCUA 2022-2026 Draft Strategic Plan

Thank you for the opportunity to comment on NCUA's proposed strategic plan. Given our administration's goal of North Dakota becoming a carbon neutral state by 2030, we appreciate NCUA's concern about climate change. However, carbon neutrality can be achieved only through innovation, not regulation – and certainly not by limiting access to credit for agricultural operations with natural carbon storage capacity.

The plan's proposed draft language under "Climate-Related Financial Risks" is ill-conceived, politically motivated, anti-agriculture rhetoric that threatens to cause serious harm to the farmers and ranchers who form the backbone of rural America. We strongly urge that it be stricken from the proposed draft or significantly revised to encourage agricultural lending.

North Dakota's 34 credit unions have 214,000 members and currently hold $748 million in agricultural loans. Using FDIC definitions, 11 of these 34 credit unions would be considered agricultural based on business volume. On average, agricultural loans represent 41% of the loan portfolios among those 11 credit unions and 25% of the loan portfolios among all 34 credit unions.

The NCUA's proposed strategic plan focuses on the adverse impact that asset concentrations and climate risks may have to the stability of financial institutions. It suggests that financial institutions may need to distance themselves from certain industries – specifically noting agricultural loans as an area of concern. While one must be mindful of risks, the proposed approach is problematic and likely counterproductive to your stated goal. Agriculture should not be viewed as a source of carbon and risk that must be defunded through actions of an administrative agency. Rather, agriculture should be viewed as an industry uniquely positioned to capture and store carbon, and in doing so, provide financial institutions with a loan funding opportunity that is both a reasonable risk and in line with the nation's carbon neutral goals.

It is inappropriate to single out agriculture as a risk industry. Not only is agriculture key to becoming carbon neutral, but people will still need food in a carbon neutral world. According to the United Nations, crop production will need to double by 2050 to meet global population growth demands. United States agriculture is responsible for feeding America and much of the

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world. Agricultural products are both a valuable export that supports the U.S. economy and an important means of promoting good will between countries while expanding our nation's influence throughout the world. Regulatory policy should work to encourage agricultural financing, not to defund the industry.

North Dakota credit unions are tied directly to agriculture because North Dakota is in the middle of rural America's farmlands. Our farming communities depend on the lending services of local credit unions. Discrimination against agricultural lending practices would not only be devastating to farm families but also would be counterproductive to many U.S. Department of Agriculture programs that attempt to financially support these families whose work is essential for feeding our nation. Opportunities exist for other types of lending in our larger cities, but a great deal of our economy is, and will always be, highly concentrated in agriculture.

If credit unions were forced out of ag lending either through direct prohibitions or due to increased regulatory scrutiny, the end result would be: 1) credit unions not meeting their local community's need for credit, 2) forcing members to go to a distant financial institution for services, and 3) forcing the small credit unions to merge with larger urban credit unions, with more business lines, eliminating local financing options for their current members. Industry consolidation is a concern of the Biden administration and a risk identified within your strategic plan. Artificially limiting ag concentrations will effectively force consolidations.

Adding to problems created by this strategic plan is NCUA's unconventional definition of a loan concentration. NCUA defines a concentration and increases its regulatory scrutiny at significantly lower levels of net worth compared to federal banking regulators. Additionally, other federal regulators break up commercial loans into more subcategories to measure a concentration than does NCUA. The result is a much more restrictive regulatory scheme at the NCUA than is necessary or appropriate.

Even before this plan has been formally adopted, credit unions have noted that NCUA has accelerated examination cycles due to the presence of ag loan concentrations. More frequent examinations do nothing to mitigate the risks, which have not changed. Rather, these more frequent examinations effectively penalize institutions for engaging in the prudent business practice of serving the needs of the local ag community.

Singling out these credit unions with additional regulatory scrutiny appears to be a gross misuse of the administrative process to indirectly achieve public policy objectives. An administrative agency needs to implement public policy, not unilaterally set public policy by creatively reinterpreting existing law. In a free market economy, market forces determine who succeeds and who fails within a set of rules written by elected representatives. NCUA as an administrative agency seems to be engaging in a dangerous game of unilaterally picking industries as winners and losers.

The strategic plan justifies singling out agriculture as an area of concern by stating "Changing weather patterns will disproportionately affect farming communities." Weather has always had an outsized impact on agriculture, and farmers and their lenders have always had to take steps to mitigate these risks. That is why Congress established federal crop insurance. It's why land-grant universities such as North Dakota State University have researched seed genetics that are better adapted to adverse weather conditions. It's why lenders seek Farm Service Agency guarantees when a farm's financial condition is not sound. And it's why farmers constantly evaluate their business model to limit weather-related risks. Agriculture has a long history of rising to meet challenges posed by weather. Barring a government-created financing crisis such as the one proposed within this strategic plan, agriculture and ag lenders are well-positioned to tackle future challenges posed by changing weather patterns.

It is important to note the Financial Stability Oversight Council (FSOC) issued a report in 2021 on Climate-Related Financial Risks. Agriculture is identified as one of the five major greenhouse gas emitters, but the report ignores the carbon capture and sequestration potential of agriculture. To date, the NCUA is the only banking regulatory agency to discourage ag lending due to climate risks. If a similar approach is taken by other member agencies of the FSOC, such as the Federal Reserve or the Office of the Comptroller of the Currency (the Federal Deposit Insurance Corporation to date has not signed onto this report), it would be catastrophic to U.S. agriculture and the nation's food supply. Moreover, it would also be catastrophic because agriculture is poised to play a key role in the capture and sequestration of carbon. Systematic defunding of agriculture will make it virtually impossible for agriculture to fulfill this important role in meeting the nation's carbon reduction goals.

We strongly urge NCUA to reconsider its plan to single out industries for climate-related regulatory scrutiny. Opportunities exist within agriculture and ag-related financing to help reach our nation's carbon reduction goals. We ask that you review your existing practices for measuring concentrations and examination scheduling at ag-related credit unions to ensure they are not inappropriately penalized for meeting the needs of North Dakota farmers. We have an opportunity to better understand each other's perspective and together develop sound public policy with a positive impact for the citizens of North Dakota and the nation.

Regards,

Doug Burgum

Doug Burgum
Governor of North Dakota

CC: The Honorable Todd M. Harper, NCUA Chairman
The Honorable Kyle S. Hauptman, NCUA Vice Chairman
The Honorable Rodney E. Hood, NCUA Board Member
The Honorable John Hoeven, U.S. Senator
The Honorable Kevin Cramer, U.S. Senator
The Honorable Kelly Armstrong, U.S. Representative
Commissioner Lise Kruse, ND Department of Financial Institutions