

young, beginning, and small farmers and ranchers. We believe a YBS advisory committee could help each association determine the credit and services needs of YBS farmers and ranchers in the association's territory. Similarly, this committee could serve as the association's conduit to the YBS community and other agricultural interest groups and lending sources serving the needs of YBS farmers and ranchers. For example, an advisory committee could reach out to the YBS community to inform such potential borrowers of the association's credit and services programs designed to serve YBS farmers and ranchers. For these reasons, we believe this committee will be extremely helpful to System associations.

*Section 614.4165(e)—Review and Approval of YBS Programs*

This section implements section 4.19(a) of the Act, which requires each YBS program to be subject to review and approval by the funding bank. We recognize that because System associations are now all direct lenders, their relationship with their funding banks has significantly changed since 1980, when section 4.19 was added to the Act. Direct lender associations have been increasingly more responsible for their own programs and operations. Accordingly, we have limited each funding bank's review and approval of YBS programs to whether or not the YBS programs are complete and include the necessary components required in the proposed rule.

*Section 614.4165(f)—YBS Program and the Operational and Strategic Business Plan*

This paragraph requires direct lender associations to include their YBS quantitative targets and qualitative goals in their operational and strategic business plan. The annual targets and goals will establish the steps by which the association hopes to reach its longer-term YBS program objectives as identified in its operational and strategic business plan.

*Section 614.4165(g)—YBS Program Internal Controls*

Proper oversight and control of a YBS program will help ensure that the program is managed effectively and will contribute to its overall success. Therefore, we believe comprehensive and detailed internal controls are a critical component of a YBS program. These internal controls include establishing clear lines of responsibility for YBS program implementation, YBS performance results, and YBS quarterly

reporting. Regular and reliable reporting to the board of directors helps the association to assess the strengths and weaknesses of its YBS program. The quarterly reporting requirement in the proposed rule will provide the board of directors an opportunity to assess its YBS program and consider any necessary changes or adjustments to its program components.

*Section 620.5(n)—Contents of the Annual Report to Shareholders*

A significant number of commenters noted how successfully the System is fulfilling its YBS mission. However, many commenters also noted that the System could do a better job of sharing its YBS mission accomplishments with the public. Therefore, the proposed rule includes a requirement for each direct lender association and Farm Credit bank to report on its YBS mission accomplishments in its annual report to shareholders. The reporting information required in the proposed rule is not significantly different than the information solicited by the agency each year from each direct lender association through its funding bank. Therefore, the agency believes this reporting requirement will not be significantly burdensome or costly to the System.

Reporting requirements for the direct lender associations are more detailed than the Farm Credit bank disclosure requirements. Each direct lender association must provide a description of its YBS program, including a status report on each program component as set forth in § 614.4165(c), and the definitions of "young," "beginning," and "small" farmers and ranchers. Each direct lender association must also describe the YBS demographics in its territory and the source of its demographic data as well as any differences between this data and the association's YBS data. For example, if an association uses the USDA Census of Agriculture to report on the demographics of its territory, it must cite this source. Furthermore, if there are differences between the demographic data and the YBS data being collected by the association, the differences must be explained in the report. For instance, the USDA Census of Agriculture reports on number of farmers and ranchers, whereas System associations report on the number of loans.

In addition, each association must discuss any other information necessary for a comprehensive understanding of the association's YBS program and its results. For example, the association may need to describe the choice of services that it offers to its YBS farmers

and ranchers. The association may also need to discuss any significant changes in quantitative targets or qualitative goals between reporting periods.

Section 4.19(b) of the Act requires each Farm Credit bank to summarize the YBS operations and achievements for all its affiliated direct lender associations and report such information to the agency. The proposed rule requires each Farm Credit bank to include such information in its annual report to shareholders. Specifically, the proposed rule requires the banks to include in its annual report to shareholders a summary report of the quantitative YBS data from its affiliated direct lender associations. The annual report to shareholders must also include the definitions of "young," "beginning," and "small" farmers and ranchers. We note that the proposed rule requires each Farm Credit bank to report on quantitative data only. However, a narrative report may be necessary for an ample understanding of the YBS mission results.

We believe reporting to shareholders and the public will create more transparent disclosure of the System's YBS mission accomplishment. Such transparency will underscore the importance of the YBS mission to the System, not only in its role as a provider of sound, constructive, and dependable credit to all of American agriculture, but also in its public purpose role as a GSE.

To increase the transparency of the System's YBS disclosure, we would encourage all System banks and direct lender associations to provide Web site access to their annual reports to shareholders. We note that much of the YBS information currently reported to the agency by System banks and associations is available on our Web site.

*Section 630.20—Contents of the Annual Report to Investors*

In order to strive for more transparency in the System's fulfillment of its YBS mission, the proposed rule requires Farm Credit banks to include, in their annual report to investors, a report on consolidated YBS lending data of their affiliated direct lender associations. The annual report to investors must also include the definitions of "young," "beginning," and "small" farmers and ranchers.

## VI. Regulatory Flexibility Act

Pursuant to section 605(b) of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), the FCA hereby certifies that the proposed rule will not have a significant economic impact on a substantial number of small entities. Each of the