

F&M BANK

FARMERS & MERCHANTS BANK OF CENTRAL CALIFORNIA

May 20, 2024

U.S. Congressman John Duarte
1535 Longworth HOB
Washington, DC 20515

Dear Congressman Duarte,

I hope this letter finds you well. We appreciate your support and service to the communities and constituents of your district. As you know, Farmers & Merchants Bank of Central California, headquartered in Lodi, has a branch network throughout your district. We have proudly been part of the California Banking Industry since our formation in 1916. We are the 11th largest agricultural lender in the United States and the largest community bank lender to agriculture west of the Rocky Mountains.

As you are well aware, agriculture in California has struggled for the past few years, especially in the Great Central Valley. A combination of high input costs, low commodity prices, and foreign competition emboldened by the extraordinarily high value of the US Dollar, have created financial stress for our farmers and rural communities. The resulting financial strain has necessitated banks to consider loan modifications and debt restructures to support our agricultural borrowers during this difficult period. The Banking and California Agricultural Industries are seeking Congress' support to provide temporary relief from the current restrictiveness of the new "Loan Modification Rules", and to obtain a higher level of aid from the USDA. We are prepared to provide you with greater specifics on our concerns.

Agriculture is a vital, but cyclical, industry and banks need the ability to work with agricultural borrowers through the good times and bad. We appreciated the flexibility the CARES Act afforded banks during COVID which enabled us to help our borrowers. Unfortunately, the new loan modification rules, while an improvement over the TDR accounting rules, remain too restrictive for the banks to deliver the quality care needed by the California agricultural community over the next couple of years. In addition, support offered by the USDA Farm Service Agency guarantee programs are cumbersome to utilize and, in many situations, provide inadequate aid to our borrowers due to program constraints.

Banks should have the ability to provide assistance to agricultural borrowers in the normal course of business without regulatory penalty. This could include payment relief, maturity and payment extensions, interest only options, interest rate reductions and the advancing of additional monies without having to publicly mark and report stressed agricultural borrowers, as well as, incur harsh accounting and regulatory repercussions.

In many cases, both the accounting industry and Banking Regulators do not demonstrate a full understanding of agribusinesses' resilience through economic cycles. Given the cyclical nature of the industry, agricultural businesses may need a helping hand during difficult economic periods like today—but not a handout. The Accounting Industry and Banking Regulators seem unable, by themselves, to provide the temporary relief and aid we are pursuing. Agribusiness borrowers simply need a bridge over a period of low commodity prices or high inflation; in other words these are not problem credits by the traditional regulatory definition.

Banks are the first line of defense in periods of economic stress, especially for rural communities. As such, banks need to have the flexibility and tools to work with customers to get them through the hard times. Banks are committed to supporting the Agricultural industry during the current economic cycle, but will need the underwriting flexibility, similar to underwriting terms allowed by the CARES Act, as well as a higher level of financial support through USDA Farm Service Agency.

We look forward to hearing from you and, most importantly, working with you to help our farmers and rural communities throughout California.

Sincerely,



Mickie Nuss
F&M Bank
Regional Senior Vice President
Wholesale Banking

Sincerely,



Daniel Meza
F&M Bank
Senior Vice President
Lodi Market Manager

