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House Committee on Ways and Means
"Hearing on Ensuring that 'Woke' Doesn't Leave Americans Broke: Protecting Seniors and Savers from ESG Activism"

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Congressional Testimony

Mr. Chairman and distinguished Members of the U.S. House Committee on Ways and Means, thank you for the opportunity to speak with you today.

I am Mason Bolay, from Perry, Oklahoma. I am part of a multi-generational farming operation that includes my brother, father, uncles and grandfather. From a young age I have always had the desire to keep improving. My desires are driven from firsthand experiences of managing tight budgets and uncontrollable natural disasters on the farm.

My passion for agriculture took me to Oklahoma State University, where I earned my degree in Agricultural Business in 2007. Following graduation, I also became certified to teach Agricultural Education. As a father of three children who are growing up on the farm, and with my wife and I both working for local businesses, I take immense pride in being able to offer you a firsthand, boots-on-the-ground perspective on the wider implications of ESG (Environmental, Social, and Governance) issues.

I currently serve as the Senior Vice President and Loan Officer at First Bank & Trust, in Perry, OK. My tenure at First Bank & Trust has given me a range of experience. Before joining the bank in 2013, I was privileged to serve as a Farm Loan Officer with the U.S. Department of Agriculture's Farm Service Agency (FSA) in Eastern Oklahoma, adding valuable experience to my professional journey.

First Bank & Trust is a community financial institution with assets totaling $225 million. Our lending focus primarily revolves around agriculture, with agricultural real estate making up 36% of our loan portfolio. Consumer real estate loans and non-agriculture real estate loans, account for 42% of our lending. Our primary trade area encompasses north-central Oklahoma. We pride ourselves on our hands-on and detail-oriented approach, with unwavering commitment from both our management team and the Board to ensure the quality and integrity of the bank's financial position and risk management practices.

Our family farm, spanning five generations, covers 4,000 tillable acres where we rotate a variety of crops such as wheat, corn, cotton, soybeans, and grain sorghum. Furthermore, we oversee

3,000 acres of land allocated to both native and improved grasses, providing essential support for our 1,500-head stocker calf operation, with these calves later entering our feedlot. Additionally, we maintain a cow/calf operation, which consists of a herd of 100 head.

Agriculture and banking share a close relationship, with rules and regulations in place to protect consumers' interests. Community bankers have consistently contributed significant value by actively engaging in a wide array of community activities, ranging from serving on boards to coaching little league teams. Throughout my career I have observed the ongoing development of additional rules and regulations for both the community banking and agriculture sectors. I welcome the opportunity to offer insights into how Environmental, Social, and Governance (ESG) factors can impact everyday life on Main Street.

ESG Mandates – Can harm businesses, borrowers, and communities:

ESG is a broad term that can mean different things to different people. Our bank, like most, is not pro-ESG or anti-ESG. We are pro-free market and pro-consumer.

Americans are best served when banks can pursue a free-market approach to make the lending and investment decisions that are responsive to the needs of their customers, communities, and business plan. Using regulations on banks to drive other policy goals – or to regulate other industries – is harmful to economic growth, and the ability to best serve customers' needs.

Just as standardized or one-size-fits-all policies have repeatedly demonstrated their ineffectiveness in promoting economic growth and sustainability, efforts to define and steer lending and investment for (or against) ESG factors are also destined to be economically harmful. The governance of banking institutions should remain focused on the risks they manage, and be tailored to account for their size, complexity, and the specific norms of the regions in which they operate. Attempts to employ banking regulations as a means of indirectly regulating other industries, whether to discourage or compel lending and investment, are both unsuitable and detrimental to the economy, consumers, and the principles of a free market.

In Oklahoma, community banks play a vital role in supplying capital for a diverse array of services, spanning from production agriculture and the logging industry to freeze-dried candy food trucks. These credit decisions hinge on the fundamental principles of the 5 Cs of credit – character, capacity, capital, collateral, and conditions. Our policies are established in the boardroom and thoroughly upheld by all our staff members. Each bank has the flexibility to either foster or curtail growth of their loan portfolio in any given industry. We firmly hold the belief that local decisions, driven by a meticulous analysis of risk and reward, should remain uninfluenced by extraneous, politically driven considerations.

FB&T's 401k plan:

When devising retirement plans and investments, it is essential to prioritize stability and profitability to attain the retiree's objectives. Opting for investment decisions grounded in ESG considerations may not be conducive to achieving the financial goals of our beneficiaries. Nevertheless, fiduciaries need the discretion to respond to the constantly changing financial landscape and theories that also develop alongside it. Just as with other free market principles, fiduciaries need the freedom to best represent and factor in the wishes of their clients.

Broader impact of governmental intervention in ESG:

ESG principles, though well-intentioned, may pose challenges for small businesses, including farms and ranches like mine. Adding more and more environmental regulations and sustainability demands can place significant financial burdens on farmers and ranchers, particularly those who are just starting out or have limited resources. Compliance often necessitates investments in new equipment and technologies, impacting the profitability of operations. Additionally, the social dimension of ESG introduces labor-related complexities, potentially raising labor costs for smaller agricultural enterprises. The governance component adds administrative burdens with increased record-keeping and reporting requirements. Farming and ranching is already hard enough without the Federal government adding on more regulation and making it even harder.

While the overarching aim of ESG is to promote sustainability and ethical practices, finding a balanced approach is crucial, one that recognizes the unique challenges that small businesses face. I would suggest that – rather than layering on even more regulation to an already very risky and costly business – the Federal government should be focusing on ways to make sure farmers and ranchers have risk management tools at their disposal. Passing a strong, improved Farm Bill while maintaining and strengthening Crop Insurance will ensure that the farming and ranching sector remain viable. Allowing free market enterprise to foster changes, complemented by a strong Farm Bill and Crop Insurance, can help address these concerns and contribute to a resilient and vibrant production agriculture sector in America.

Conclusion:

Some have called ESG a new fad, but banks have always cared about issues impacting environmental, social and governance issues as they relate to their customers, communities, and business model. What is new are efforts to intervene in banks' lending and investment decisions by picking and choosing which ESG related issues that policy makers seek to favor or disfavor. This is risky because it contradicts the free enterprise principles that have made the U.S. economy the most successful in the history of the world and given us the deepest and most resilient banking system of any nation. Instead, this approach would replace those free market principles with state-directed lending more like that of China, which puts political considerations ahead of the needs and wishes of borrowers and businesses and raises the cost of borrowing for the very people ESG advocates seek to help. We should not go down that path. Thank you.