

ICBA Legislative Update: The Access to Credit for our Rural Economy (ACRE) Act of 2023

Need for Legislation

ACRE (H.R. 3139 / S. 2371) is bipartisan legislation sponsored by Reps. Randy Feenstra (R-IA) and Wiley Nickel (D-NC) and Sens. Jerry Moran (R-KS) and Angus King (I-ME). The legislation would lower the cost of credit for farmers, ranchers, and rural homeowners while creating a more equitable and competitive rural lending environment. Community banks compete with tax-exempt lenders in rural America that already enjoy this benefit. ACRE would promote the viability of farmers and ranchers, rural communities, and community banks in a challenging economic environment.

Farmers and ranchers, as well as rural communities built around agriculture, must have access to affordable credit to survive and prosper. Challenges faced by rural communities include variable weather, fluctuating commodity prices, rising input costs, surging interest rates, and tight cash flows. Profit margins are often narrow and working capital can be depleted quickly. Young, beginning, and small (YBS) farmers and ranchers often have little equity and are deemed less credit worthy.

The rural housing market also faces unique challenges. Rural properties are often irregular, fewer in number, or mixed use, making it difficult to find comparable sales (“comps”) for residential appraisals as required by Fannie Mae and Freddie Mac.

Key Provisions of the ACRE Act

- Exempts interest income on loans secured by agricultural real estate from taxation.
- Exempts interest income on residential mortgages in communities of less than 2,500 population from taxation, provided the home is the borrower’s primary residence and does not exceed \$750,000 in value.

Key Talking Points

- Please cosponsor the ACRE Act and advocate for its inclusion in a tax package.
- ACRE provides opportunities for lower interest rates for farmers, ranchers, and rural homeowners.
- ACRE assists those seeking to remain on the farm or ranch or acquire a home in rural communities by lowering their interest rates and therefore their loan costs.
- ACRE offers community banks greater flexibility to work with farmers and ranchers who may have trouble servicing their debt or are YBS borrowers with little equity.
- ACRE gives lenders a strong incentive to remain in the rural farming and housing markets, thereby boosting local economic activity and access to credit.