February 27, 2023

The Hon. Senator Debbie Stabenow
Chairman
Senate Agriculture Committee
Washington, D.C. 20510

The Hon. John Boozman
Ranking Member
Senate Agriculture Committee
Washington, D.C. 20510

The Hon. Glenn Thompson
Chairman
House Agriculture Committee
Washington, D.C. 20515

The Hon. David Scott
Ranking Member
House Agriculture Committee
Washington, D.C. 20515

Re: Key Principles for a New Farm Bill

Dear Chairwoman Stabenow, Chairman Thompson, Ranking Members Boozman and Scott:

On behalf of the Independent Community Bankers of America[1] and the nearly 50,000 community bank locations we represent, I write to present six key principles which ICBA believes should be incorporated into the new farm bill set to expire later this year.

These principles will help producers withstand challenging economic conditions and access risk management programs while allowing community banks to continue providing credit to rural America.

Community banks provide the majority of agricultural credit extended by the overall banking industry, supplying over 80 percent of farm real estate debt and approximately 75 percent of operating debt. Community banks are also focused on extending credit to small farmers and ranchers, extending approximately 90 percent of commercial bank farmland loans with original amounts of $500,000 or less. In 2021, agricultural loans were provided by over 4,000 banks while 67 FCS institutions held agricultural loans. Community banks represent the only bank presence in approximately one-third of all U.S. counties, mostly in rural areas. It is important to keep in mind the vital role community banks play in serving rural America and our agricultural sector as you write a new farm bill.

[1] With more than 50,000 locations nationwide, community banks constitute 99 percent of all banks, employ nearly 750,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding more than $5 trillion in assets, more than $4 trillion in deposits, and more than $3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America.

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ICBA's Key Farm Bill Principles

- **Provide Ample Funding** – Ensure the new farm bill maintains a robust commodity price safety net, boosts rural broadband capabilities, and provides USDA upgraded technology to meet stakeholder needs more efficiently.

- **Maintain a Strong Crop Insurance Program** – Provide funding and flexibility to ensure all producers have access to sound risk management tools that can help them withstand severe weather events. A strong crop insurance program helps producers repay loans and maintain access to credit.

- **Enhance USDA Guaranteed Loan Programs** – Increase loan limits on USDA guaranteed farm loans (i.e., $3 million for ag real estate). Streamline paperwork and application processes for farm and rural development loans. Funding and budget levels should ensure existing loan programs can meet borrower demand while meeting the needs of young, beginning, and small farmers. USDA direct loans should complement but not undercut guaranteed loans made by private-sector lenders.

- **Do Not Expand the Powers of the Farm Credit System (FCS)** – FCS is a government sponsored enterprise (GSE) with tax and funding advantages that seeks to expand into **non-farm** lending through quick authorizations of **non-farm** "investments" without the case-by-case basis approval of their regulator. ICBA opposes speedy and broad approval authorities for FCS **non-farm** lending which is inconsistent with their charter as a government sponsored enterprise established to serve agriculture. Broad-based **non-farm** lending would threaten the viability of community banks by shrinking banks' loan portfolios.

- **Ensure Community Bank Access to All General Credit Programs** – The farm bill should maintain the ability of community banks to serve rural America without enhancing the competitive advantages of privileged, non-bank competitors. Community banks should have access to all general financing or credit assistance programs.

- **Reduce Regulatory Burden and Ensure Fairness** – Require federal agencies to implement programs fairly and equitably for all stakeholders while reducing regulatory burdens. Increased regulatory burden is one factor causing bank consolidation.

An issue that could greatly impact rural credit would be the **equalization of tax treatment for all rural lenders.** Credit Unions are completely exempt from taxation and the effective tax rate for FCS lenders was only 2.3 percent in 2021, allowing these lenders to undercut the loan rates banks offer to the same customers for the same loan terms. This taxation disparity has allowed credit unions to purchase a growing number of community banks in recent years, leading to further consolidation of the banking sector and threatening small and rural communities with limited access to credit.

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Legislation introduced in the last Congress called the *Enhancing Credit Opportunities for Rural America Act* (ECORA: S. 2202 & H.R. 1977) is expected to be reintroduced under a new name to help address competitive inequities by providing banks a tax exemption to lower interest rates to borrowers for farmland loans and rural home loans in communities of 2,500 or less.

We look forward to providing you with additional details on the key principles we believe should be included in the next farm bill and on other issues affecting rural credit markets. A strong farm bill will allow producers and their community bank lenders to work together for long-term business planning purposes. Please contact mark.scanlan@icba.org if you have any questions on these recommendations.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

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