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December 12, 2018

U.S. House of Representatives
Washington, D.C. 20515

Dear Representative:

On behalf of more than 52,000 community bank locations across the nation, the Independent Community Bankers of America (ICBA) appreciates the hard work invested by many members of Congress on a bipartisan farm bill conference report (H.R. 2, the Agriculture Improvement Act of 2018). H.R. 2 passed the Senate Tuesday afternoon by a vote of 87 to 13. We strongly support House passage and enactment of this legislation, which will benefit not only farmers and ranchers but also the thousands of community banks that finance American agriculture.

A five-year farm bill enables producers and their lenders to make long-term business planning decisions to better ensure the viability of both their current and future farming enterprises. By providing essential commodity price protection programs, H.R. 2 will better position producers to withstand a fifth consecutive year of declining farm income. Unsettled trade disputes and other adverse circumstances have made it difficult for producers to show positive cash flows and thus obtain the loans they need to operate. In addition, H.R. 2 enables the long-term operation of a healthy crop insurance program which allows producers to survive weather-related disasters and other risk management challenges.

A key issue from the perspective of community bankers is the provision of USDA guaranteed loan programs. These programs support critical loans to farmers and ranchers as well as rural development loans for businesses and communities in rural America. We strongly support the increase in loan size for guaranteed farm operating and ownership loans to \$1.75 million, which will help community banks assist family farmers with their agricultural enterprises.

Regarding rural development, the increase in the population limit to 50,000 for guaranteed loans provided via several rural development programs (i.e. water and waste disposal (WW), community facility (CF), and broadband loan programs) will be a welcomed advancement for many community banks serving rural communities with slightly higher populations than can be accommodated currently. The zero-subsidy rate structure for WW and CF loans as well as the study of this rate structure for the business and industry (B&I) and the Rural Energy for America Program (REAP) can help ensure a robust volume of loans from local lenders within these newly eligible communities.

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As ICBA has long emphasized, USDA loan programs must “*complement, not undercut*” private lending by ensuring a renewed focus on guaranteed loans. Community banks have noticed in recent years significant increased competition from USDA direct lending programs, even though banks are willing and able to provide capital to their rural communities.

In recent years, over 95 percent of CF loans were made through USDA direct loans, often in competition with local lenders. H.R. 2 takes meaningful steps to restore a proper balance between direct government loans and locally available guaranteed loans from community banks. USDA guaranteed loan programs have negligible-to-zero budgetary costs and leverage scarce government resources to thousands of farm families, rural communities, and rural citizens while significantly boosting job creation, employment, and entrepreneurship.

Adopting a new farm bill will ensure the ability of community banks and other rural lenders to continue serving America’s family farmers and ranchers in the current era of distressed commodity prices. Likewise, the increased focus on guaranteed loans will enhance the ability of the banking sector to continue serving rural and remote citizens and communities with the tools they need to survive, endure and prosper both now and in the future.

We respectfully urge members of the House to vote YES on passage of H.R. 2.

Sincerely,

/s/

Mark Scanlan
Sr. V.P., Agricultural and Rural Finance