

HEALTHY FARM BILL. HEALTHY RURAL AMERICA.

A strong farm bill provides stability for the volatile farm sector and incorporates important policies, such as price-support programs, crop insurance and loan guarantee programs.

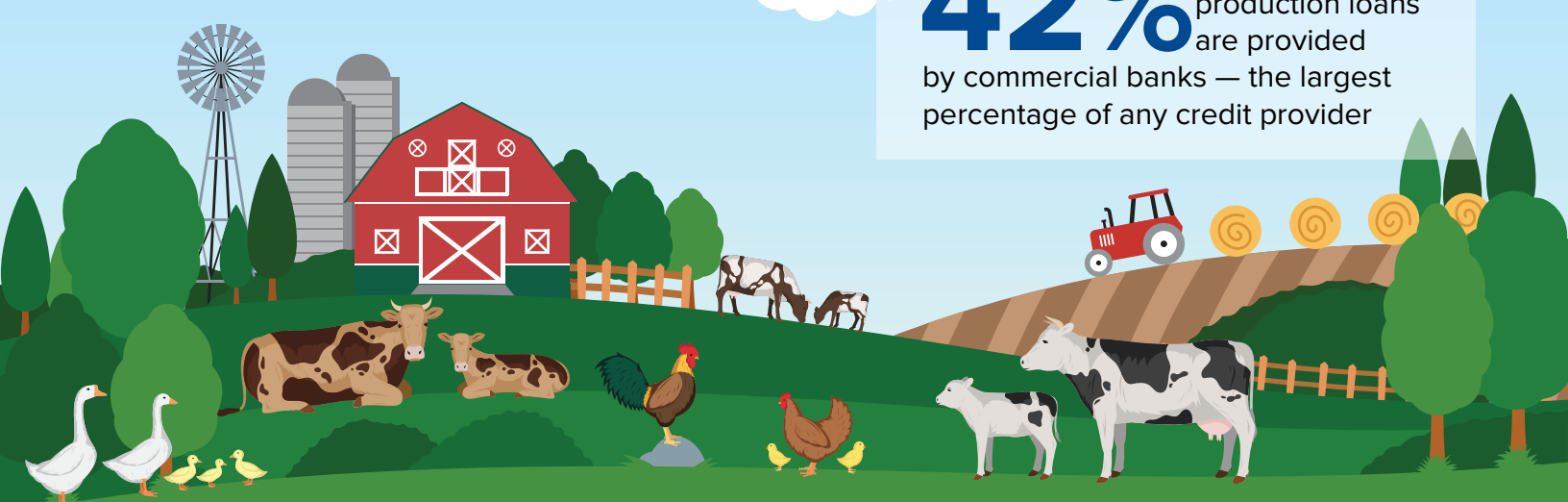
3k Number of community banks with an agricultural portfolio of at least \$5 million

September 30, 2018 is the expiration date of the Agriculture Act of 2014

76% of all agriculture loans from the banking sector are made by community banks under \$10 billion in assets

Community banks provide **over \$139 billion** in agriculture loans

42% of all ag production loans are provided by commercial banks — the largest percentage of any credit provider



CROP INSURANCE

A Key Linchpin of the Farm Safety Net

- Enables producers to survive weather disasters
- Enables producers to repay bank loans
- In 2016, crop insurance protected 125 crops at **\$100 billion** in crop value

Current Agriculture Climate

- Farmers pay **\$3.5 to \$4 billion** per year in premiums
- Cuts to program would limit participation and raise rates
- CI provides timely payments when widespread losses occur whereas ad hoc disaster bailouts by taxpayers do not
- Mid-size to large farmers pay a much greater amount of premiums into the risk pool than small farmers due to farming larger acreages, keeping rates low

USDA LOAN PROGRAMS

USDA Farm Loans

- Guaranteed real estate loans have no cost
- 42,000 producers will access **\$7.7 billion** in direct and guaranteed loans in 2018
- Since 2009, the USDA provided more than 200,000 loans totaling more than **\$27 billion**

USDA Farm Loan Changes

- Increase guaranteed loan limits to **\$2.5 million**
- Make loan application process consistent across state lines
- Flexibility to get loans approved in either the county where bank/branch is headquartered or where farmer is located
- Remove NEPA prohibition on refinancing guaranteed loans within 12 months of ground disturbance
- Direct loan programs** can help young, beginning, small farmers get started; But need to ensure a “credit elsewhere” test for direct loans targeting those who cannot access credit from commercial providers to ensure direct loans complement—not detract from—bank financing

ICBA® ADVOCATES FOR:

FARM CREDIT SYSTEM

- Prohibit “investments” that go beyond the lending constraints of the Farm Credit Act
 - ▶ FCS should not be allowed to make hotel loans or Main Street business loans and call them investments
- Oppose FCS proposal requesting blanket authority to approve their own investments
 - ▶ Need prior approval by regulator, FCA
 - ▶ Better define FCA authority over investments to not exceed statutory lending purposes
 - ▶ Define difference between bonds and loans
 - ▶ Change RBIC administrative requirement requiring FCS entities to make up 10% of all RBICs
- Restrict ‘Similar Entity’ authority
 - ▶ Similar entities must be located in rural areas and not be fortune 500 companies located in large cities
- Ensure FCS loans for true mission related purposes, i.e. lending to bona-fide farmers and providers of on-farm services.
 - ▶ Tighten definitions of bona-fide farmer
 - ▶ Apply Act’s current prohibition on below market pricing to all FCS lending and investing activities
- Require greater transparency of FCS activities
 - ▶ Ensure public transparency of all fraud and accounting irregularities
 - ▶ Require FCA to publish illegal actions of FCS lenders
 - ▶ Discontinue FCS \$10 billion line of credit with the U.S. Treasury

COMMUNITY FACILITY LOANS

Place greater emphasis on **guaranteed loans** than currently done and ensure banks can provide a portion of USDA’s loans when banks are willing to participate

96.2% for direct loans to **3.8%** guaranteed loans

Business and Industry Loans

- Business and Industry (B&I) guaranteed loan funding needs to be maintained — provides almost **\$1 billion** in funding from private sector
- Business and Industry loan fees:** Lower origination fee to **1%** on all loans under **\$5 million**



For further information, see ICBA White Paper **Focus on Farm Policy**

www.icba.org/advocacy/reports

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