June 12, 2018

The Honorable Pat Roberts  The Honorable Debbie Stabenow
Chairman  Ranking Member
Committee on Agriculture, Nutrition,  Committee on Agriculture, Nutrition,
& Forestry  & Forestry
United States Senate  United States Senate
Washington, D.C. 20510  Washington, D.C. 20510

Dear Chairman Roberts and Ranking Member Stabenow:

On behalf of our nearly 5,700 community banks across the nation, the Independent Community Bankers of America (ICBA) supports adoption of a robust farm bill to provide a strong safety net for farmers and ranchers. We appreciate your bipartisan effort to ensure a new farm bill that continues commodity price-protections and a strong crop insurance program among other important policies. ICBA also supports an amendment filed by Senator Hoeven to strengthen USDA guaranteed farm loan programs through higher loan limits.

However, ICBA would strongly oppose amendments to expand the Farm Credit System’s (FCS) powers. As a government-sponsored-enterprise (GSE), the FCS has numerous tax and funding advantages over community banks and other lenders serving rural America. FCS has proposed language to “enhance public-private partnerships” through community facility financing to achieve broad-based rural development financing labeled as “investments.” FCS’s proposed language directs the USDA to develop regulations for this purpose even though their regulator, the Farm Credit Administration (FCA), just finalized a broad investment regulation on May 10.

The language implies commercial banks will benefit but banks can already finance community facilities as private-sector, tax-paying, general-purpose lenders. FCS’s proposal further suggests FCS and commercial banks would “work jointly together” on community facility loans. However, there are no joint financing or participation requirements within this language, thus allowing FCS to finance these rural projects without any community bank involvement. The suggested “partnership” would only be between FCS and their new-found customers, relationships achieved by displacing community banks’ commercial lending.

FCS testified before Congress that the approval of their investments by the FCA is too slow and unworkable. This is not accurate as FCA has implemented a fast-track approval process to quickly approve FCS investments. The FCS wants minimal oversight while becoming a general-
purpose lender, which is grossly inappropriate given their tax and funding advantages as a GSE chartered to serve American agriculture.

As a separate issue, FCS also seeks greater non-farm investments in rural business investment funds administered by USDA. ICBA has concerns with USDA’s management of the Rural Business Investment Corporations (RBICs) particularly in not treating banks equitably with FCS associations. For example, all investment funds must have 10 percent of their investments from the FCS even if formed by commercial banks, but FCS funds are not required to have 10 percent of their investments from commercial banks. To address these concerns, ICBA requests that the committee exert strenuous oversight of these funds to ensure that they are administered equitably and that they do not compete directly with routine financing provided by community banks.

Again, we appreciate the hard work the committee’s members have invested in writing a new farm bill that will help maintain net farm income over the next five years. We look forward to continuing to work with you as this important legislation moves forward. Thank you for your consideration of our views.

Sincerely,

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Mark Scanlan
Sr. V.P., Agriculture & Rural Policy

CC: Members of the Senate Committee on Agriculture