

October 5, 2017

House and Senate Agricultural Appropriations and Agriculture Committee Chairs and Ranking Members:

The American Bankers Association (ABA) and the Independent Community Bankers of America (ICBA) urge your support for USDA's Agricultural Mediation Program. Specifically, we urge Congress to reauthorize this voluntary program in the next Farm Bill and provide adequate and timely funding. As lenders, we know first-hand the financial challenges facing farmers and ranchers. Since its inception 30 years ago, the Agricultural Mediation Program has become a critical tool farmers and lenders rely upon to resolve issues with problem loans; debt restructuring; and other issues related to financial stress.

The authorizing statute for this program capped annual funding at \$7.5 million. Congress provided appropriations of \$4.3 million for several years. However, appropriated levels in recent years have ranged between \$3.4 million to \$3.9 million. The lower appropriations level is contrary to the growing demand for the program which has witnessed the number of mediation programs expanding to 41 states. The funding should be increased to reflect the increase in the number of state programs. Adequate funding for agricultural mediation programs can make a significant difference for many farmers and lenders, particularly at this time of severe financial distress affecting the farm economy. Funding should be restored to at least \$4.3 million and may need to be increased further due to rising demand for mediation services.

In addition to increased funding, funds need to be delivered in a timely manner. Agricultural mediation programs often do not receive their funds until the second quarter of the fiscal year. This causes programs to lay off staff, temporarily shut down, or attempt to find bridge financing. This uncertainty makes working with farmers and lenders more difficult. We encourage Congress to explore methods to guarantee delivery of funds at the beginning of each fiscal year.

We also believe Congress should consider expanding agricultural mediation programs scope of activities to include family farm transitions, lease issues, and farmer-neighbor disputes. These issues impact the viability of farming operations and their ability to repay loans. Mediation is well suited to address these situations before they become more complicated and costly.

The challenging agricultural environment will result in greater use of this voluntary program by farmers and lenders needing to address complex financial issues. As lenders, we appreciate the agricultural mediation programs because they are voluntary and facilitate exploration of successful settlement options. We respectfully request the agricultural mediation program be reauthorized, receive adequate and timely funding, and that Congress consider expansion of covered cases.

Sincerely,

American Bankers Association
Independent Community Bankers of America