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July 11, 2017

The Honorable Rodney Frelinghuysen
Chairman
House Committee on
Appropriations
H-305, The Capitol
Washington, DC 20515

The Honorable Nita Lowey
Ranking Member
House Committee on
Appropriations
1016 Longworth House Office Building
Washington, DC 20515

Dear Chairmen Frelinghuysen and Ranking Member Lowey:

On behalf of the Independent Community Bankers of America (ICBA) and the nearly 6,000 community banks across the nation that we represent, I am writing to express our views on the agriculture appropriations bill due to its importance to rural America, our nation's farmers and ranchers and community banks. We appreciate the hard work the committee has put into the FY2018 Agricultural, Rural Development, FDA and related agencies legislation, and we urge you to keep the following perspectives in mind.

As expressed in a June 14 letter to the House and Senate Appropriations Committees by over twenty rural lending, farm groups and related organizations we urge a continued strong commitment to USDA farm loan programs. ICBA believes these programs, particularly the guaranteed farm loan programs, should receive funding that matches FY2017 levels. For FY2017 Congress provided authority for rural lenders to provide \$2.75 billion in loans for guaranteed farm real estate (ownership) lending. This program is basically self-funding with no subsidies due to the origination fee. The FY2018 bill provides \$2.5 billion. We believe the program's loan volume should remain the same as last year since there are basically no subsidies for this important program.

Congress also provided FY2017 appropriations allowing lenders to provide a loan level of \$1.96 billion for guaranteed farm operating loans. The FY2018 loan authorization level has been set in the current legislation to approximately \$1.4 billion by reducing the guaranteed loan subsidy amount by \$5.5 million. We are concerned such a reduction may be ill-advised as farm loan demand may be similar this year to last year since we are in the fourth year of declining net farm income. Net farm income levels are projected by USDA to be roughly one-half the levels reached at their peak in 2013. It is important that farmers and ranchers continue to be able to access guaranteed farm loans from their community banks in a timely manner.

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We also appreciate the subcommittee's rejection of the Administration's budget proposal to phase out the guaranteed Business and Industry (B&I) loan program. The USDA B&I guaranteed loan program strengthens rural communities by providing needed financing for rural businesses from the private sector. The FY2017 appropriations allowed rural lenders to provide \$919 million in rural business loans. The FY2018 legislation would reduce the loan authorization level to \$819 million by reducing the subsidy amount by \$2 million.

The B&I program has historically realized full utilization and the program's delinquency rates are at an all time low. This guaranteed loan program is another example of how a very small amount of capital can be leveraged by the private sector into hundreds of millions of dollars of loans, stimulating small business formation and development and spurring rural job creation. Therefore, ICBA would prefer to see the USDA B&I levels set to at least match or exceed last year's levels.

Thank you for your attention to our recommendations.

Sincerely,

/Signed/

Mark Scanlan
Sr. Vice President, Agriculture & Rural Policy

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