

## ICBA Legislative Update: The Access to Credit for our Rural Economy (ACRE) Act of 2023

### Need for Legislation

ACRE (H.R. 3139/S. 2371) is bipartisan legislation sponsored by Reps. Randy Feenstra (R-IA) and Wiley Nickel (D-NC) in the House and Sens. Jerry Moran (R-KS) and Angus King (I-ME) in the Senate. The bill would help ensure access to lower-cost credit for farmers, ranchers, and rural homeowners while creating a more equitable and competitive rural lending environment. Community banks compete with tax-exempt lenders in rural America who already enjoy this benefit. ACRE would promote the viability of farmers and ranchers, rural communities, and community banks in a challenging economic environment.

Farmers and ranchers, as well as rural communities built around agriculture, must have access to affordable credit to survive and prosper. Challenges faced by rural communities include variable weather, fluctuating commodity prices, rising input costs, surging interest rates, and tight cash flows. Profit margins are often narrow and working capital can be depleted quickly. Young, beginning, and small (YBS) farmers and ranchers often have little equity and are deemed to be less credit worthy.

The rural housing market also faces unique challenges. Rural properties are often irregular, fewer in number, or mixed use, making it difficult to find comparable sales (“comps”) for residential appraisals as required by Fannie Mae and Freddie Mac.

### Key Provisions of the ACRE Act

- Exempts interest on loans secured by agricultural real estate from taxation.
- Exempts interest on residential mortgages in communities of less than 2,500 population from taxation, provided the home is the primary residence of the borrower and does not exceed \$750,000 in value.

### Key Talking Points

- Please cosponsor ACRE Act and advocate for its inclusion into a tax package to support rural communities.
- The bill provides opportunities for lower interest rates for farmers, ranchers, and homeowners.
- Assist those seeking to remain on the farm or ranch or acquire a home in rural communities by lowering their loan costs.
- Offer community banks greater flexibility to work with farmers and ranchers who may have trouble servicing their debt or are YBS borrowers with little equity.
- Give lenders a strong incentive to remain in the rural farming and housing markets, thereby boosting local economic activity and access to credit.