



American  
Bankers  
Association®



The Honorable Sonny Perdue  
Secretary  
US Department of Agriculture  
1400 Independence Avenue SW  
Washington, D.C. 20250

Dear Secretary Perdue,

On behalf of the American Bankers Association (ABA), the Independent Community Bankers of America (ICBA), and the National Rural Lenders Association (NRLA), we would like to congratulate you on your recent confirmation and express our willingness to work with you and your Department as you look to economically revitalize those areas of rural America that remain in need. We are deeply appreciative of your statements during your confirmation hearing articulating your strong support for the strengthening of this nation's rural economies and infrastructure. We are also pleased at the formation of the Interagency Task Force on Agriculture and Rural Prosperity purposed to provide solutions for economic development, job growth and infrastructure improvements in rural America.

We are national trade associations representing thousands of private lending institutions nationwide that utilize United States Department of Agriculture (USDA) guaranteed lending programs to support rural infrastructure and economic development. We believe that strengthening the public-private partnership in the execution of USDA lending programs is needed to ensure that rural communities continue to receive the financing they need from the institutions they know and trust and to also help ensure that the loans themselves are properly managed and serviced from lenders who have the experience and expertise in providing needed capital to our nation's rural communities. USDA should pay strong attention to the following issues that are vitally important to our members:

- **Keep the USDA Business and Industry (B&I) Guarantee Loan Program funded to meet the needs of rural America:** On March 13<sup>th</sup> the President published a blueprint of his proposed Fiscal Year 2018 budget. Included in the document was a proposal to eliminate \$95 million in USDA Rural Business-Cooperative Service (RBS) discretionary funding. If adopted, this proposal **would completely eliminate the USDA Business and Industry (B&I) Guaranteed Loan Program** (and several other programs delivered by USDA Rural Development). The USDA B&I Guarantee Loan Program strengthens rural communities by helping to provide much-needed financing for economic development projects for rural businesses to purchase machinery and pursue business modernization. The USDA Business and Industry Guaranteed Loan Program, and for that matter all programs of the USDA RBS that complement the lending activities of private sector commercial banks are of vital importance to our nation's rural communities. The B&I

program has historically realized full utilization and the program's delinquency rates are at an all-time low. In short, the program works and should be strengthened, not ended.

• **Save the USDA Community Facilities (CF) Loan Guarantee program for rural America:** The CF Loan Guarantee Program relies on a partnership between the USDA and private lenders who provide vital capital for projects involving critical infrastructure and essential services in rural America such as hospitals and public safety services. The current over-emphasis by USDA on the CF Direct Loan program has become a very real threat to the continued viability of the CF Guaranteed Loan Program. The Direct Loan program excludes rural lenders in the private market because the USDA completely assumes the role of the lender with all risk and exposure assumed by the US taxpayer. Today, only a fraction of program authority is allocated to the Guaranteed Loan Program compared to the Direct Loan Program (\$146 million versus \$2.2 billion; a 6%/94% split)<sup>1</sup>. We urge your support for increasing funding in the guaranteed loan program which should help reduce federal spending.

• **Bring the USDA Farm Service Agency (FSA) program lending levels into the 21st century:** The FSA guaranteed and direct lending programs were established during the 1980's and serve to assist beginning farmers and ranchers and minority applicants in obtaining needed financing for farm and ranch ownership and operations. The total combined authorized lending level for the FSA direct and guaranteed programs has been increased annually simply based on the percentage change in Prices Paid by Farmers Index, as compiled by USDA. While this method does maintain a current adjustment, similar to a Consumer Price Index, it hasn't adjusted for the continued increase in size of farms coupled with the smaller margins of a leveraged farm operator. The current limitation does not meet the financing needs for an average size farm or ranch of a viable size operation. We request your support for legislation raising the USDA FSA loan level limitation to at least \$2.5 million with an appropriate increase in its program authority to reflect the larger capital needs of today's farmers and ranchers.

On behalf of ABA, ICBA, and NRLA, we congratulate you again on your confirmation and we look forward to working with you and your Department on these and other issues vital to the continued success and development of rural America. Should you have any questions at all, please do not hesitate to contact Ed Elfmann at [elfmann@aba.com](mailto:elfmann@aba.com), Mark Scanlan at [mark.scanlan@icba.org](mailto:mark.scanlan@icba.org), or Stuart McCalman at [stuart@capitolventures.us](mailto:stuart@capitolventures.us)

Sincerely,

American Bankers Association

Independent Community Bankers of America

National Rural Lenders Association

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<sup>1</sup> United States Department of Agriculture Fiscal Year 2017 Budget Summary. Page 44.