

Serving Agriculture and the Rural Economy

Serving the Ag Sector – Community banks are vital providers of credit and financial services to rural America. In fact, Community banks provide the majority of agricultural credit extended by the banking industry, supplying over 80 percent of farm real estate debt and approximately 75 percent of operating debt. Community banks also excel in extending credit to small farmers and ranchers, providing nearly 90 percent of bank farmland loans for amounts of \$500,000 or less. In 2021, over 4,000 banks distributed agricultural loans to the farm sector compared to 67 FCS institutions holding agricultural loans.

Presence in Rural America – Community banks account for 97 percent of all banks with \$2.6 trillion in assets and \$2.2 trillion in deposits, or 13.5 percent and 14 percent respectively. Community banks have strong representation in rural areas accounting for approximately 72 percent of all bank offices in rural areas and two-thirds of all bank deposits. Community banks are four times more likely to operate offices in rural counties and remain the only banking presence in one-third of all U.S. counties. They are particularly significant financial service providers in states where a greater percentage of the population lives outside of metropolitan areas: in the 25 states with the largest rural population shares, community bank branches average 56 percent of total commercial bank branches.

Policies to Facilitate Community Banks Financing Agriculture & Rural America

- Provide a robust commodity safety net that protects producers regardless of economic conditions.
- Ensure crop insurance programs are available to as many producers as possible and offer a variety of tools to meet producers varied risk management needs.
- Increase loan limits on guaranteed farm real estate loans to \$3 million. Loan limits were set at \$1.75 million in the 2018 farm bill and indexed to inflation. However, land prices have risen dramatically making it difficult to serve the needs of legitimate family farmers and ranchers.
- Enhance USDA guaranteed farm and rural loan program accessibility: require quicker approval and turnaround times; enhance USDA technological capabilities; improve access to beginning farmers and ranchers (BFR); streamline paperwork and applications.
- Limit or reduce regulatory burdens that restrain the ability of community banks to serve rural markets.
- Ensure community banks have the same access to credit programs and benefits provided in the farm bill as other rural lenders receive.
- Enact ACRE (formerly ECORA, HR 1977 & S 2202): Allows community banks to lower interest rates to producers for farmland purchases and to rural homeowners by providing banks the same tax exemption benefits other rural lenders currently receive.