

Issue Update

The Farm Bill is a legislative package that governs an array of agricultural and food programs in the U.S. This critical legislation has a tremendous impact on farming livelihoods and sets national agriculture, nutrition, conservation, and forestry policy. Several Farm Bill provisions are particularly important for banks, their customers, and the communities they serve:

Loan Limits for FSA Guaranteed Loan Programs. The cost of agriculture continues to increase at a rapid pace, especially for agricultural land. Increasing Farm Service Agency (FSA) loan limits for guaranteed farm ownership from \$1.75 million to at least \$3.5 million and increasing FSA guaranteed farm operating loans from \$1.75 million to at least \$2.5 million will help bankers keep pace with rising input costs and better serve their customers.

Beginning Farmer Programs. Farmers and ranchers are entering a much wider spectrum of farm business types and demand faster loan turnaround times to stay competitive. More flexibility and the ability to use off-farm income when applying for beginning farmers and ranchers (BFR) loan programs will help increase efficiency. As the modern farm structure continues to evolve, policymakers should review and update FSA definitions and interpretations of family farm structure to include BFR. FSA BFR loan programs should continue to focus on bona fide family farmers and ranchers, but there needs to be flexibility when determining which borrowers are eligible under this definition.

Down Payment Assistance Program. As land prices continue to rise, beginning farmers and ranchers will need more assistance to purchase land. The Down Payment Assistance Program provides a pathway for land ownership, but the current limit on the program isn't reflective of market prices. Increasing the dollar limit of the Down Payment Assistance Program will better align with the current realities of agricultural land prices.

Rural Development Funding. A lack of funding for the Rural Development Guaranteed Loan Programs has made it very difficult for banks to use the program. This has hurt rural communities and disincentivizes banks from using the programs in the future. Policymakers should increase funding levels for Rural Development Guaranteed Loan Programs.

Technology for FSA Loan Programs. FSA loan programs continue to lag far behind the technological capabilities of banks. Congress should reexamine the technology needs of FSA loan programs and provide FSA with the proper funding to modernize its systems.

CFPB 1071 Small Business Lending Final Rule. Policymakers should maintain parity for agricultural lenders under the CFPB 1071 Final Rule. If lenders have different reporting requirements or report to different agencies, that will create competitive disadvantages that do not benefit agricultural borrowers.

Why It Matters

Banks play a critical role in rural America, and the Farm Bill provides a vehicle for the banking industry to help meet the financial needs of farmers, ranchers, and agricultural communities across the country. Meaningful changes to the Farm Bill will allow bankers to better serve their customers and ensure they have high levels of credit availability in the years to come.

Recommended Action Items

Support a Farm Bill. Ask Members of Congress to support the passage of a new long-term Farm Bill.

Support Changes to the Credit Title. Agricultural banking continues to evolve and change. Congress needs to modernize the Credit Title within the Farm Bill to reflect the complexities of modern agriculture.