

December 12, 2018

The Honorable Michael Conaway
Chairman
House Committee on Agriculture
U.S. House of Representatives

The Honorable Collin Peterson
Ranking Member
House Committee on Agriculture
U.S. House of Representatives

Dear Chairman Conaway and Ranking Member Peterson:

The American Bankers Association¹ (ABA) would like to express our support for the H.R. 2, the Agriculture Improvement Act of 2018, and urge its adoption. Since the founding of our nation, banks have played a vital role in providing agricultural credit to rural America. More than 5,000 banks – over 83% of the industry – reported agricultural loans on their books at year end 2017 with a total outstanding portfolio of over \$180 billion.² Banks are core stakeholders in efforts to promote economic growth and job creation in agriculture from coast to coast.

H.R. 2 includes many provisions that will help agricultural and rural banks help their customers and is a solid step towards creating more flexibility within United States Department of Agriculture (USDA) loan programs while providing risk management tools for farmers and ranchers.

The farm bill is crucial to the economic well-being of our nation's farmers and ranchers and the farm banks that serve them every day. Vital programs, like crop insurance and USDA loan guarantees within the Farm Service Agency (FSA) and Rural Development, help farm banks make loans and manage risk in both good times and bad, which is critical to maintaining a stable and vibrant farm economy.

H.R. 2 provides guidance for the many loan programs within the USDA that are used by banks to support their customers in rural America. This farm bill includes a provision to increase FSA Guaranteed Loan Programs to \$1.75 million. This increase is vital to agricultural banks because it reflects the growing cost of agriculture. Without additional funding to FSA Guaranteed Loan Programs, it could become more difficult for lenders to provide adequate financing to producers, especially young, beginning and small farmers and ranchers.

Additionally, H.R. 2 includes many changes to Rural Development guaranteed loan programs that were

¹ The American Bankers Association is the voice of the nation's \$17 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard \$13 trillion in deposits and extend more than \$10 trillion in loans.

² ABA 2017 Farm Bank Performance Report.

<https://www.aba.com/Tools/Function/Ag/Documents/2017FarmBankPerformanceReport.pdf>

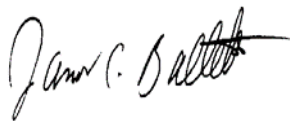
supported by bankers. This includes loan programs for the development of rural broadband and a study on Rural Development guaranteed loan programs becoming zero subsidy. Rural Development guaranteed loan programs continue to become a larger part of the portfolios of rural banks, and this farm bill will make those programs easier to access for rural banks.

Lastly, the 2018 farm bill provides risk management tools for farmers and ranchers through crop insurance and other farm programs. Bankers are very supportive of crop insurance and farm programs as they protect borrowers from the effects of large income losses when there are crop yield or price losses during a growing season.

Agricultural banks play a vital role in their communities by providing loans, creating jobs and paying taxes to support rural America. At the end of 2017, farm banks held \$180 billion in farm loans and employed more than 91,000 rural Americans. The reauthorization of this bill will provide critical risk management tools and stability for our nation's farmers and ranchers and the banks that serve them. The increase on loan limits for the guaranteed loan programs and other changes in the 2018 Farm Bill will give bankers the tools they need to finance more customers in rural America into the future.

H.R. 2 is a positive measure that will provide the tools bankers need to help their customers through USDA loan programs and risk management programs for farmers and ranchers. ABA supports this important piece of legislation and urges its passage.

Sincerely,

A handwritten signature in black ink, appearing to read "James C. Ballentine". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

James C. Ballentine