*Access to Credit for our Rural Economy (ACRE) Act of 2023*

**Sustaining Credit & Promoting Prosperity in Rural America**

Overview

Agricultural production and the prosperity of farmers and ranchers is critical to the economy of agricultural states, many of which face unique challenges due to outmigration, limited job markets, and lower housing availability. Agriculture is the backbone of these communities and community banks work every day to serve farm and ranch customers in a difficult agricultural lending climate stressed by high interest rates, persistent inflation and much higher input costs. The FDIC reported that as of September 2021, there are 1,153 agricultural banks, defined as those community banks with over twenty-five percent of their loans focused on agriculture. **Community banks provide 80% of all financing to agriculture from the banking sector** and are often the catalysts for new and expanded business opportunities within their communities.

A lack of housing availability also plays a key role in preventing economic growth in rural America. Rural mortgage lending is a challenge for lenders because rural properties are often mixed use, consisting of large or multiple parcels of land and varying ownership structures which could include multiple family members. Community banks have long been a major source of credit for these borrowers due to their firsthand knowledge of the local market. However, higher interest rates have made it difficult for many families to qualify for and afford a home mortgage.

Soaring interest rates have decreased community banks’ ability to compete for agricultural loans and mortgages with other lenders who enjoy very broad tax benefits. To help address this inequity, the *Access to Credit for our Rural Economy (ACRE) Act of 2023* would ensure the ongoing ability of community banks to serve both agricultural producers and rural homeowners. This legislation would expand access to affordable ag real estate credit to more than 4,000 rural communities across the country and **will deliver approximately $400 million worth of annual interest expense savings** to farmers and ranchers in 2023 (ABA estimate).

What the ACRE Act Would Do

Specifically, when community banks provide loans to farmers and ranchers secured by agricultural real estate, the interest earned from such loans would be exempt from income taxes. Likewise, this exemption would apply to single-family home mortgage loans in communities with a population of less than 2,500. The legislation would help maintain small lenders’ ability to serve the agricultural sector in these difficult times by allowing these banks the flexibility to restructure loan terms and lower interest rates on farm real estate loans. This will help farmers survive ag sector downturns while ensuring credit availability to the next generation of agricultural producers.

The ACRE Act also enables banks to continue robustly serving the housing needs of rural Americans by assisting these communities in their efforts to meet current housing demand while attracting outside businesses and homeowners. By allowing rural community banks more flexibility, they will be able to assist farm and ranch borrowers who may have trouble servicing existing debt by lowering their interest rates. Additionally, lower cost loans will encourage growth in the rural housing sector.

ACRE will help level the competitive landscape with other types of lenders that enjoy these tax preferences. **Community banks provide ninety percent of ag real estate loans under $500,000 from the banking sector.** The bill will boost lending to young, beginning and small farm borrowers helping ensure they become viable operations both now and in the future. With banks’ share of total farm sector debt having fallen to 31% in 2021, it is more important than ever to ensure the thousands of agricultural community banks can continue to serve the rural marketplace.