

May 25, 2021

The Honorable Debbie Stabenow
Chairwoman
Committee on Agriculture
United States Senate
Washington, D.C. 20510

The Honorable John Boozman
Ranking Member
Committee on Agriculture
United States Senate
Washington, D.C. 20510

The Honorable David Scott
Chairman
Committee on Agriculture
United States House of Representatives
Washington, D.C. 20515

The Honorable Glenn Thompson
Ranking Member
Committee on Agriculture
United States House of Representatives
Washington, D.C. 20515

Dear Chairs Stabenow and Scott and Ranking Members Boozman and Thompson:

Thank you for the important work your committee has carried out in assisting agricultural borrowers during the pandemic. As long-time partners with the agricultural community, bankers have been pleased to work with our customers as they help serve the needs of their communities and our country.

One of the many efforts to help farmers and ranchers was recently included in the American Rescue Plan Act (Section 1005 related to Socially Disadvantaged Farmers and Ranchers). This provision will provide debt relief to SDA borrowers to help them through this challenging period.

Unfortunately, our position on this provision was recently mischaracterized by a number of media outlets, and we want to set the record straight that we do not oppose this relief; we only ask that the USDA carefully consider how Section 1005 of the American Rescue Plan is implemented.

On April 9th, we signed onto a joint letter to the USDA asking the agency to consider the role of lenders, particularly smaller banks, as it implements the debt-relief program. Banks work every day with diverse groups of farmers and ranchers to provide them with much-needed credit. These borrowers are our members' customers, and like USDA, we want to see them succeed and grow their businesses. Given your congressional oversight responsibilities, it is critical that you have an accurate understanding of our position on this important debt relief to SDA borrowers and our communication with USDA.

According to data from the USDA and FDIC, banks account for a plurality (42.2%) of total farm sector debt. In 2019, for example, the banking industry made \$183.3 billion in agricultural loans. Many of these loans went to small farms, including socially disadvantaged farm operations. Nearly 42%, or \$76.85 billion, were for small farm loans with originations less than \$500,000.

As USDA is aware, most agricultural lenders to this important segment are smaller, community banks that rely on income from these USDA loans as part of their comprehensive risk management and capital planning. In fact, the average-sized farm bank in 2019 had only \$256.2 million in assets. Despite their size, these banks punched above their weight, accounting for 57% of total bank agricultural loans.

We know that Congress structured recent pandemic debt relief through another government-guaranteed loan program in a manner that limited the impact on lenders. Section 1112 of the CARES Act provided much-needed debt relief to struggling small business borrowers with outstanding pre-pandemic loans guaranteed by the Small Business Administration. In that instance, the government stepped into the shoes of the borrowers to take over those payments at the peak of the pandemic. Congress recognized that spacing out those payments on schedule kept liquidity flowing at an essential time, supporting communities by facilitating additional lending and avoiding marketplace surprises. The significantly larger scale of that program (more than \$20 billion) and scope (involving numerous business types across the economy) provides a proven, complementary debt-relief model.

Our banks are deeply committed to providing credit to farmers and ranchers in every community now and into the future. We have stood by our customers throughout the COVID-19 pandemic, serving as a distributor of government aid as well as working with customers who needed creative and flexible solutions to their economic challenges. We know it is possible to ensure that USDA borrowers receive the full and timely Section 1005 relief they need, while allowing agricultural lenders greater certainty around the capital planning efforts that support this important USDA program.

Sincerely,



Rob Nichols
President and CEO
American Bankers Association



Rebeca Romero Rainey
President and CEO
Independent Community Bankers of America

cc: The Honorable Sherrod Brown
The Honorable Pat Toomey
The Honorable Maxine Waters
The Honorable Patrick McHenry
The Honorable Raphael Warnock
The Honorable Cory Booker
Members of the House Committee on Agriculture
Members of the House Committee on Financial Services
Members of the Senate Committee on Agriculture, Nutrition, and Forestry
Members of the Senate Committee on Banking, Housing, and Urban Affairs