

# ICBA Legislative Update: The Access to Credit for our Rural Economy (ACRE) Act

## Need for Legislation

The ACRE Act (H.R. 1822 / S. 838) is bipartisan legislation sponsored by Rep. Randy Feenstra (R-IA) and Sen. Jerry Moran (R-KS). The legislation would lower the cost of credit for farmers, ranchers, and rural homeowners while creating a more equitable and competitive rural lending environment. Community banks compete with tax-exempt lenders in rural America that already enjoy this benefit. ACRE would promote the viability of farmers and ranchers, rural communities, and community banks in a challenging economic environment.

Farmers and ranchers, as well as rural communities built around agriculture, must have access to affordable credit to survive and prosper. Challenges faced by rural communities include volatile weather, fluctuating commodity prices, rising input costs, elevated interest rates, and tight cash flows. Profit margins are often thin and working capital can be depleted quickly. Young, beginning, and small (YBS) farmers and ranchers often have little equity and are deemed less credit worthy.

The rural housing market also faces unique challenges. Rural properties are often irregular, fewer in number, or mixed use, making it difficult to find comparable sales ("comps") for residential appraisals as required by Fannie Mae and Freddie Mac.

## Key Provisions of the ACRE Act

- Exempts interest income on loans secured by agricultural real estate from taxation.
- Exempts from taxation interest income on residential mortgages up to \$750,000 in towns of less than 2,500 population.

## Key Talking Points

- Please cosponsor the ACRE Act and advocate for its inclusion in a 2025 tax package.
- ACRE provides lower interest rates for struggling farmers, ranchers, and rural homeowners.
- ACRE strengthens rural economies by allowing community banks greater flexibility to work with farmers and ranchers who may have trouble servicing their debt or are young, beginning or small (YBS) borrowers with little equity.
- ACRE gives lenders a strong incentive to remain in the rural farming and housing markets, thereby boosting local economic activity and access to credit.