



ACRE

Access to Credit for our Rural Economy (ACRE) Act

America's farmers and ranchers play a critical role in ensuring America maintains its food independence and all Americans have affordable access to fresh, healthy food at their local grocery store. Congress can help support our farmers and ranchers and revitalize our rural communities by lowering the cost of credit for loans secured by rural or agricultural property.

ACRE excludes from gross income the interest received by a qualified lender on all loans secured by farm real estate and aquaculture facilities. Additionally, ACRE would exclude from gross income the interest received by a qualified lender on home mortgage loans that do not exceed \$750,000 in rural communities of no more than 2,500 people.

ACRE will help farmers and ranchers across the country. Farmers and ranchers need access to credit to purchase agricultural land, as well as to finance farming operations and withstand unexpected costs and fluctuations in income.

- Increasing input costs and supply chain disruptions are driving up the cost of running America's farms and ranches.
- Interest rates have risen 100 basis points in the last quarter¹, which has increased the cost of credit for borrowers, and agricultural land prices have increased by 12.4% on average nationwide.
- Access to credit can be much more difficult for Beginning Farmers and Ranchers and Socially Disadvantaged Farmers and Ranchers due to a lack of preexisting land ownership and access to other sources of capital—54% of young farmers say they need more land.
- ACRE would help new farmers by lowering their costs to acquire land—the most capital-intensive portion of any farming operation, and a critical asset to achieve long-term, reliable access to credit.
- ACRE will reduce interest payments, which increases the cash flow from their operation and reduces the need for off-farm income.
- ACRE will deliver approximately \$1.15 billion in annual interest expense savings to farmers and ranchers in 2023—approximately \$950 million in annual interest expense savings for loans secured by farmland and \$200 million for rural mortgages that do not exceed \$750,000.

¹ <https://www.kansascityfed.org/agriculture/ag-credit-survey/growth-in-farmland-value-continues-but-higher-rates-temper-the-outlook/>

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ACRE will help revitalize rural communities. Lowering the cost of mortgages that do not exceed \$750,000 in communities of no more than 2,500 people helps retain and attract residents, stemming population loss and ensuring vibrant rural communities continue to thrive.

- According to the 2020 Census, rural America lost population over the last decade for the first time in history. That population loss has been most severe in rural counties far removed from metropolitan areas.²
- Rising interest rates are putting homeownership out of reach for many rural Americans. Current interest rates for rural mortgages are averaging 7.5%. ACRE is estimated to lower those interest rates between 50 and 100 basis points for new interest rates between 6.5%-7%. ACRE will create the most competitive interest rate environment possible for rural borrowers, saving borrowers between \$120 million and \$275 million in interest costs.
- The U.S. Census lists 17,113 communities with a population of less than or equal to 2,500. In 2021, \$21.7 billion in bank mortgages were originated in these communities—a need that is only increasing. Given an estimated 5.2% annual growth rate, approximately \$24 billion in rural mortgages that do not exceed \$750,000 will qualify for ACRE in 2023.

ACRE is not a new government program. ACRE is a tool for agricultural lenders that will pair well with USDA programs that are already being used by Beginning Farmers and Ranchers and Socially Disadvantaged Farmers and Ranchers.

- o With ACRE lowering the costs to purchase land, farmers and ranchers will have increased access to commercial credit, reducing the need for USDA programs.
- ACRE will allow all federally-insured banks to leverage a tax benefit that government-sponsored enterprises are already using to support rural and agricultural lending.
 - o Banks will need to make agricultural real estate loans to receive the tax benefit offered by ACRE.
 - o Because government-sponsored enterprises, who are the largest lender to agricultural land at 48% of the overall market, already enjoy the tax savings provided by ACRE, banks will need to pass those savings on to customers in the form of lower rates in order to compete effectively in the marketplace.
 - o ACRE will benefit rural communities by increasing competition in the rural real estate market, improving credit availability and affordability for rural borrowers.

ACRE will free up more capital that will help farmers and ranchers directly, and it will also ensure that rural communities can prosper with the help of sound and productive credit provided by local community farm banks.

2 <https://carsey.unh.edu/publication-rural-america-lost-population-over-past-decade-for-first-time-in-history>