



**Independent
Bankers
Association
of Texas**

July 31, 2023

Texas Delegation
United States House of Representatives
Washington, DC 20515

On behalf of the members of the Independent Bankers Association of Texas (IBAT), I urge your support and co-sponsorship for the Access to Credit for Our Rural Economy (ACRE) Act of 2023, H.R. 3139/S.2371.

IBAT represents the interests of the 383 financial institutions chartered in the state of Texas which operate as traditional community banks, taking deposits and making loans in their local communities. Many of our community banks operate in rural communities which would be entirely underserved by a financial institution of any kind were the community bank not in existence. **Of the 254 counties in Texas, 191 (or 75 percent) are considered “rural” according to the U.S. Office of Management and Budget. The benefits will be felt nationwide. For example, Wyoming has 23 counties of which 21 (or 91 percent) are “rural.”**

In recent years, the survival of rural community banks has been undermined by the increasingly aggressive lending practices of the Farm Credit System, which leverages its tax-exempt status to undercut lending rates which can be offered competitively by commercial banks. While IBAT acknowledges the important role that the Farm Credit System can play in supporting rural communities across the country, we believe it was not the intent of Congress for the system to serve as a low-priced lender in everyday banking transactions.

The ACRE Act of 2023 would provide some degree of parity with the Farm Credit lenders by exempting from gross income interest earned on certain loans secured by rural or agricultural real estate for the purposes of calculating income tax.

The benefits of the ACRE Act are three-fold.

The Act will allow community banks to offer more affordable loans to rural and agricultural borrowers and incentivize community bank lenders to remain in the rural farming and housing markets.

Further, the Act will strengthen rural banking to benefit many of our underserved rural economies. Research published by the IC2 institute at the University of Texas¹ in July of this year identified the presence of rural banks as one of the leading factors positively influencing rural entrepreneurship and economic growth. Loan opportunities lost to the Farm Credit System due to government subsidy unnecessarily undermine the viability of rural banking to the detriment of our rural communities.

Additionally, the Act will provide greater flexibility for community banks to help families seeking to remain on their farms by lowering the mortgage costs on farm real estate loans and rural housing loans in towns of population fewer than 2,500 and for mortgages less than \$750,000.

¹ Hand MC, Shastry V, Rai V (2023) Predicting firm creation in rural Texas: A multi- model machine learning approach to a complex policy problem. PLoS ONE 18(6): e0287217. <https://doi.org/10.1371/journal.pone.0287217>

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Since 2008, we have lost approximately one-third of our banks in Texas to industry consolidation, with the greatest number of losses sustained in rural areas which serve as the heartbeat of this nation. Without your help, this trend will continue.

The ACRE Act will help Texas maintain its vibrant mix of urban core and strong rural communities. **Passage will level the playing field for community banks, helping ensure their survival and make rural communities stronger by giving hardworking rural families the financial security they deserve from lenders with whom they already share a strong relationship.**

The Independent Bankers Association of Texas thanks you for your service and for your consideration in this matter. We hope that you will seriously consider co-sponsorship of the ACRE Act of 2023 and thank you for your support of Texas community banking.

Sincerely,



Christopher L. Williston, VI
President and Chief Executive Officer
Independent Bankers Association of Texas



K. Kyle Irwin
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