



# 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 that 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.

**The Access to Credit for our Rural Economy (ACRE) Act (S. 838/H.R. 1822) is a bipartisan approach to help lower interest rates for rural borrowers. ACRE excludes from gross income the interest received by a qualified lender on newly originated loans secured by farm real estate, forestry, fisheries 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 and rural communities 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.

The farm and rural economy is critically important to all Americans:

- Increasing input costs and supply chain disruptions are driving up the cost of running farms and ranches.
- In November 2024, ABA and Farmer Mac released results from their annual Ag Lender Survey.<sup>1</sup> The top concerns lenders expressed for producers were borrower liquidity and farm income. Concerns about other inflationary pressures (such as rising input costs) — the top concern in 2022 — fell to the third-greatest overall concern for producers in 2023.
- Interest rates have risen and remain above the 20-year average, making it more challenging for farmers and ranchers to purchase land.<sup>2</sup>
- 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-intense 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, reduces the need for off-farm income and helps young producers build equity.
- ACRE is proven to work and has been effective at the state level. Kansas passed and implemented a similar structure that is delivering rates 50 basis points lower than those prior to passage of their state-level ACRE legislation.
- Updated language includes provisions to ensure accountability and transparency in rate reductions and advance competition by ensuring the tax treatment only applies to new originations.

<sup>1</sup> <https://www.aba.com/about-us/press-room/press-releases/ag-lender-survey-2024>

<sup>2</sup> <https://www.kansascityfed.org/agriculture/ag-credit-survey/farmland-values-flattened-amid-modest-deterioration-in-credit-conditions>



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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 that vibrant rural communities continue to thrive.

- According to the 2020 U.S. Census, rural America lost population over the past decade for the first time in history. That population loss has been most severe in rural counties far removed from metropolitan areas.<sup>3</sup>
- Rising interest rates are putting homeownership out of reach for many rural Americans. Current interest rates for rural mortgages are averaging 6.9%. ACRE is estimated to lower those interest rates between 50 and 100 basis points for new interest rates between 5.9%-6.4%. ACRE will create the most competitive interest rate environment possible for rural borrowers, saving borrowers between \$115 million and \$255 million in interest costs.
- 30 million Americans live in thousands of communities with a population of less than or equal to 2,500, according to the U.S. Census. In 2023, \$21 billion in bank mortgages originated in these communities — a need that is only increasing. Approximately \$23 billion in rural mortgages that do not exceed \$750,000 will qualify for ACRE in 2025.

**ACRE is not a new government program.** ACRE is a tool for agricultural lenders that will pair well with USDA programs already being used by beginning farmers and ranchers and socially disadvantaged farmers and ranchers.

- 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 and regulated financial institutions to leverage a tax policy that government-sponsored enterprises are already using to support rural and agricultural lending.
- Banks will need to make agricultural real estate loans to qualify for the tax treatment associated with ACRE.
- Because government-sponsored enterprises — which are the largest lenders to agricultural land with 48% of the 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 to compete effectively in the marketplace.
- 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.

<sup>3</sup> <https://carsey.unh.edu/publication-rural-america-lost-population-over-past-decade-for-first-time-in-history>