National Rural Lenders Association

2023 FARM BILL POLICY PRIORITIES

SUMMARY

As an organization of lending institutions including banks, credit unions, farm credit system entities, and non-traditional lenders, the National Rural Lenders Association (NRLA) utilizes and advocates for capital and business opportunities for rural communities through USDA's guaranteed lending programs. To this end, NRLA recommends and supports the inclusion of the following modifications to current 2018 Farm bill programs in the 2023 Farm Bill:

Recommendation 1 – Increase the maximum FSA Guaranteed Loan level to $3,000,000 with adjustments for inflation each year thereafter.

Recommendation 2 – Reestablishment of appraisal requirement flexibilities for guaranteed loans projects approved for funding under USDA's Community Facilities.

Recommendation 3 – Establish a 3 percent limit on USDA guaranteed loan lender fees.

Recommendation 4 – Within Section 9003-Biorefinery assistance program, expanding the types of feedstocks that are eligible to include CO^2 and other types of waste feedstocks that are prevalent but may not fit the current biobased definition.

Recommendation 5 – Direct USDA to provide clear and detailed review criteria during Phase 2 reviews for commercial technologies within the 9003 programs.

Recommendation 6 – Increase the Rural Energy for America Program Loan Size Limits from $25 million to $50 million except for solar and wind projects.

Recommendation 7 – Grant USDA the authority to provide a 90 percent guarantee for Rural Energy for America Program Loans under $1 million.

Recommendation 8 – Authorize standalone battery storage eligibility in the Rural Energy for America Program.

Recommendation 9 – Modify the small business standard for the Rural Energy for America Program guaranteed loans to be limited to the entity filing the application.

Recommendation 10 – Revise USDA's standard and flexibility regarding the application of the National Environmental Policy Act for all USDA guaranteed loan programs.

TITLE AND SECTION RECOMMENDATIONS

TITLE V—CREDIT

Recommendation 1 – Increase the maximum FSA Guaranteed Loan level to $3,000,000 with adjustments for inflation each year thereafter.

Justification

In FY22 the maximum Farm Service Agency guarantee loan level was $2,037,000. This amount's baseline was established in law and is adjusted each fiscal year based on inflation. The maximum loan level does not reflect rising costs in all areas including construction supplies (building new poultry houses), equipment prices, among other inputs. NRLA supports an adjustment to the baseline maximum loan level to $3,000,000 as part of the 2023 Farm Bill with adjustments for annual inflation for the duration of the Farm Bill.

TITLE VI—RURAL DEVELOPMENT

Recommendation 2 – Reestablishment of appraisal requirement flexibilities for guaranteed loans projects approved for funding under USDA's Community Facilities.

Justification

Administratively, appraisal requirements have increased to where specialized collateral for Community Facilities projects has been normalized. This requirement limits the ability to close projects after USDA funding approval. Additionally, for projects where underwriting is quite strong, a 100 percent loan-to-value is being required and many appraisals do not approach the 100 percent value. NRLA recommends Congress direct USDA to reestablish practices previously deployed by USDA which included more flexibility on appraised values.

Recommendation 3 – Establish a 3 percent limit on USDA guaranteed loan lender fees.

Justification

Regarding the Rural Business-Cooperative Service's Business and Industry Guaranteed Loan program, Section 6418 of the 2018 Farm Bill provided for the charge and collection of lender fees, without clarification, to bring down the costs of subsidies for insured or guaranteed loan. While legislative text stipulates that fees "not act as a bar to participation," NRLA asserts that fees above 3 percent will affect the marketplace and user participation. Additionally, since the 2018 Farm Bill became law, annual Congressional appropriations has capped the Secretary's authority to assess the fee at 3 percent of the guaranteed principal portion of the loan. To this end, NRLA recommends Congress establish a 3 percent limit on USDA guaranteed loan lender fees.

TITLE IX—ENERGY

Recommendation 4 – Within Section 9003-Biorefinery assistance program, expand the types of feedstocks that are eligible to include CO^2 and other types of waste feedstocks that are prevalent but may not fit the current biobased definition.

Justification

The current feedstock eligibility requirements are narrow in scope and do not allow for the development of commodities and/or new feedstock waste. Providing expansion in eligibility will add to commercial benefit and program viability while increasing stakeholder engagement. A limitation of this flexibility should remain for corn kernel starch for biofuels.

Recommendation 5 – Direct USDA to provide clear and detailed review criteria during Phase 2 reviews for commercial technologies within the 9003 program.

Justification

USDA's technical report within the 9003 Phase 2 review process lacks guidance and criteria for commercial technologies that have been proven in commercial applications. Processes deployed presently produce limited feedback from USDA technical staff and contributes to confusion and delayed actions. The Part 2 application process for each project should be customized to reflect detailed information on review criteria based on the technologies that are being used in the project.

Recommendation 6 – Increase the Rural Energy for America Program Loan Size Limits from $25 million to $50 million except for solar and wind projects.

Justification

While robust financing is available for large scale solar and wind projects, there is a shortage of financing for newer technologies such as farm-derived renewable natural gas, geothermal, standalone battery storage, renewable hydrogen, and refurbished hydroelectric dams. To fully support these technologies in rural communities, NRLA supports increasing the loan size limit from $25 million to $50 million, except for solar and wind projects. Increasing the loan size limit will directly benefit farming operations among other rural businesses.

Recommendation 7 – Grant USDA the authority to provide a 90 percent guarantee for Rural Energy for America Program Loans under $1 million.

Justification

The current structure and requirements under REAP do not encourage lenders to assist smaller borrowers and loan requests currently favor much larger borrowers and loan sizes. A 90 percent guarantee would boost lender cooperation with smaller projects including the consideration of more novel and emerging technologies.

Recommendation 8 – Authorize standalone battery storage eligibility in the Rural Energy for America Program.

Justification

Under current REAP authorities, financing for standalone battery storage is only eligible when it is paired with a renewable energy system. NRLA believes this is a technical oversight and requests the correction/enhancement be made to allow financing of standalone battery storage. This correction is similar to a regulatory correction that allowed Landfill Gas in REAP.

Recommendation 9 – Modify the small business standard for the Rural Energy for America Program guaranteed loans to be limited to the entity filing the application.

Justification

Legislative authority for the REAP program does not include a definition for small business entities. For ease, USDA has mandated the small business definition criteria as established by the Small Business Administration (SBA). SBA's definition, however, includes both the entity making application for the program and any affiliated organization including parent companies. This structure has limited both customer use and the deployment of available dollars within the program. Additionally, companies who do not meet the SBA definition make application to other guaranteed loan programs that do not have the lending authority to support large numbers of energy projects. NRLA recommends a threshold of 1,000 employees for an entity making application for guaranteed loans under the REAP program.

TITLE XII—MISCELLANEOUS

Recommendation 10 – Revise USDA's standard and flexibility regarding the application of the National Environmental Policy Act for all USDA guaranteed loan programs.

USDA agencies, with the authority to issue guaranteed loans, spend considerable financial and personnel resources on NEPA analyses and documentation. This activity, however, is inconsistent from similar, and in some cases, identical guaranteed loans issued by other agencies of government. To bring consistency and to harmonize federal guaranteed loans, NRLA supports increased flexibility in the implementation of USDA guaranteed loan programs and recommends NEPA be executed in the same manner as other guaranteed loans. In addition, it should be noted that standard environmental reviews including those mandated by city, state, and in some cases the U.S. Corp of Engineers will and should continue to be part of construction projects.

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