



**Testimony in Support of House Bill 2197
House Committee on Revenue
March 4, 2025**

Chair Nathanson, Vice Chair Reschke, Vice Chair Walters and members of the House Committee on Revenue, my name is Kevin Christiansen and I am the government affairs director for the Oregon Bankers Association (“OBA”) and Community Banks of Oregon (“CBO”). Our organizations represent the diverse FDIC insured banks and trust companies doing business in Oregon. The banking industry employs almost 20,000 Oregonians at approximately 800 locations throughout our state. Thank you for the opportunity to provide testimony in strong support of House Bill 2197, Oregon’s version of the Access to Credit for our Rural Economy Act, or ACRE Act.

HB 2197 helps sustain and grow rural Oregon by lowering the cost of credit for farmers and ranchers financing agricultural real estate as well as rural homeowners seeking credit for housing in small rural communities of 2500 or less. The bill does this by removing corporate excise and corporate activity taxation on interest income made by banks from farm real estate loans as well as home mortgage loans in rural areas and towns of less than 2,500. Similar tax savings would apply to the financing of fishing boats.

The lingering effects of high inflation and supply chain disruptions are driving up the costs of operating America’s farms, ranches and fishing businesses. At the same time, higher interest rates are hampering profitability for farmers and putting homeownership out of reach for many rural Americans. By lowering costs for rural borrowers, ACRE will bolster agricultural and fishing producers and rural communities. In addition to lowering the cost of credit, HB 2197 will enhance competition.

A federal version of HB 2197, or the ACRE Act, is being introduced again this year in Congress. Congresswoman Andrea Salinas was a sponsor of the bill in the last Congress. Additionally, state versions of ACRE have passed in Wisconsin and Kansas with other states considering the program this year.

In addition to my written testimony, the following are written comments from Bank of Eastern Oregon President and CEO Jeff Bailey and Oregon Coast Bank President and CEO Lance Nunn:

Written Testimony from Jeff Baily (Bank of Eastern Oregon)

I am the President and CEO of Bank of Eastern Oregon, a state-chartered bank headquartered in Heppner, Oregon. Our community bank has a physical presence in rural communities in Eastern Oregon, Eastern Washington, and Southwestern Idaho.

In Oregon we have offices in 18 towns in 11 eastern Oregon counties. We are the only Bank in 4 of the 11 counties and 9 of the 18 towns. I am testifying today on behalf of my bank, but also as past Chair of the Community Banks of Oregon, which supports and promotes community banking in Oregon. We strongly urge you to support House Bill 2197.

Community banks are the primary economic driver in most rural communities. Many of our Community Banks of Oregon banks are agriculture lenders in the communities they serve. Other community banks along the coast provide fishing boat loans. Thousands of community banks like mine throughout the country serve rural areas. The FDIC reported that as of September 30, 2024, there are nationally 1000 agricultural banks, defined as those community banks with over twenty-five percent of their loans focused on agriculture. Many additional community banks hold significant agricultural loan volumes. Nationally, all community banks held only 11.4 percent of total banking industry assets, but their share of farm loans compared to all commercial banks was approximately 63.0 percent, according to the FDIC. Although the report does not provide data on individual states, taking into consideration the reliance of Oregon's economy on agriculture, I suspect that the statistics for Oregon are similar and maybe even more pronounced.

House Bill 2197 is a great opportunity for the Oregon Legislature to support rural and coastal communities in Oregon. It is a straightforward solution that will promote business growth and stimulate job creation, while supporting agriculture, Oregon rural areas, and main street alike. It offers a simple solution to help farmers, ranchers, rural homeowners, and fisherman without creating new government payments or programs.

House Bill 2197 removes corporate excise and corporate activity taxation on interest income made by banks from farm real estate loans as well as home mortgage loans in rural areas and towns of less than 2,500. This bill will help address housing shortages across Oregon where 276 of Oregon's 419 cities (65.87%) have less than 2,500 residents. Our whole state struggles with the housing shortage.

By removing this taxation, banks, such as mine, would be able to match the pricing of other agriculture lenders that already benefit from favorable tax treatment for rural loans. The bill would lower interest rates for borrowers, thereby expanding access to lower-cost sources of credit in rural communities. House Bill 2197 will also help sustain the presence of community banks by making them more competitive and able to meet the financing needs of their customers. Let me point out that our primary competitor in ag lending is a large western US conglomerate that has favorable tax treatment.

Recently we lost a loan relationship with a farmer that had literally grown up with our bank. His mother had worked for us and he had gone through Farm Service Agency's beginning farmer program and graduated to a traditional lending relationship with our bank. He left us for a lower rate at a lender that enjoys more favorable tax treatment.

We do not mind competition, in fact we welcome it, House Bill 2197 bridges the gap so we can offer our customers better rates and terms on qualifying mortgages, and farm real estate secured loans.

House Bill 2197 will lower the cost of credit for farmers and ranchers, enhance competition for agricultural and rural housing credit, and help sustain access to local credit decisions in rural Oregon. It will also reduce the cost of credit for fisherman on Oregon's coast and enhance access to credit. Ultimately, this bill is about helping the customers and the communities that we serve.

Written Testimony from Lance Nunn (Oregon Coast Bank)

Oregon Coast Bank serves the state's coast with seven branches between Tillamook and Coos Bay. The bank was created for the express purpose of supporting Oregon's fishing industry, which is the backbone of many of our coastal communities. We also support timber and dairy operations in our footprint. Our agricultural producers have faced constant new challenges and cost increases over the past few decades. This rising cost of doing business has led to significant shrinkage and consolidation within these industries. Owner retirements are much more common than startups in these industries, and there is a perpetual question of how much of the industry will survive to the next generation. These concerning trends are not unique to the Oregon coast and can be found in most sectors of Oregon agriculture. Needless to say, that contraction of agricultural production would hurt Oregon's economy and increase our reliance on imports and relatively few large/corporate players.

House Bill 2197 would serve as a breath of fresh air to Oregon's agricultural industry. The tax cuts would enable financial institutions to offer more attractive financing options that would counter the ever-increasing costs of production. The lower rates would also reduce barriers to entry and promote new investment into the industry by the next generation. The bill would be a step toward preserving the diversity and competition that comes from having a large number of smaller producers, rather than a few large ones.

House Bill 2197 would benefit:

- Banks, by leveling the playing field with tax-exempt agricultural lenders;
- Producers, by reducing pricing on agricultural financing;
- Consumers, by reducing product costs and promoting a higher number of producers to ensure competition/selection;

- Rural communities, by supporting their key economic driver (agriculture) and reducing the financing cost of housing; and
- Oregon by preserving and fostering new investment in agriculture, which has always been a key contributor to the state's economy. Outside of the positive financial impact, agriculture is a major employer, is renewable and sustainable, increases food security, and improves access to critical commodities across the state and beyond.

Personally, I try to stay out of politics. I am providing testimony because of my commitment, and the commitment of Oregon Coast Bank's stockholders, employees, and customers, to Oregon's fishing industry and coastal communities. I believe that you are similarly committed to Oregon's agricultural industry and rural communities. A quick google search told me some things I am sure you already know:

- 80% of Oregon's agricultural production is sold out-of-state, comprising over 60% of the cargo shipped out of the Port of Portland, and generating over \$2 billion in annual exports
- Agriculture makes up 13% of Oregon's gross domestic product AND
- 1 in 12 jobs in Oregon are in the agricultural sector

I strongly believe that House Bill 2197 would be a step toward revitalizing rural Oregon, improving access to affordable housing in small communities, and fostering much-needed growth within the agricultural sector. The positive impact of this bill would spread throughout the state. I encourage you to support this bill.

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If you have any questions, please feel free to contact Kevin Christiansen at (503) 576-4123 or our lobbyist John Powell at (503) 510-8758.

Thank you.