

Septic Systems and Future Growth in Maryland

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Farm Credit supports agriculture, and preserving open space, and a rural way of life. To have both open space and viable agricultural production, we must ensure that our actions protect the economic well being of our farmers while protecting the land.

We believe that down-zoning has a negative effect on land values. We believe more study is needed to see how great that effect will be, but we believe it to be significant. Unfortunately, the “cost” of down-zoning is all on the farmer—while the entire community benefits from the open space and the need for less community resources, the farmer shoulders the downsides alone.

From a lending perspective, and looking at the ability to obtain credit, lowered land values will have the greatest effect on two groups of landowners: one, young and beginning farmers, who typically have less equity in their farms to begin with; and two, farmers in extreme circumstances (illness, divorce, natural disaster). Equity is what gives people the ability to bear unforeseen risks, and a reduction of equity can impact them. For the **vast** majority of borrowers with already strong balance sheets and successful business plans, we do not feel that a reduction of equity will immediately impact their ability to get credit.

We are not and never have been a collateral based lender; our decisions are based primarily on the strength of the income statement, along with strong management and a successful business plan. That said, it should be made clear that there are statutory requirements for collateral that must be met after a positive assessment of the farm operation and its financial condition is made.

Our credit experts feel that the impact of this Bill on the balance sheets of Maryland farmers and rural land owners could be significant. Most of a farmer's/land owner's equity is in their land and typically not in cash or other liquid assets. That equity is hard-earned: the land provides a base for investing in conservation programs, it allows a farmer/land owner to pass equity on to the next generation, it allows them a fallback if there is a large need for cash such as a medical emergency, and it can help to fund retirement, planned or otherwise. Farmers rely on the security that their land provides.

If this Bill is approved, the value of agricultural land will be permanently affected, leverage will be increased, and fewer options will be available to the farmer/land owner.

As part of our mission to serve agriculture, we have made use of many tools to help farmers who are in extreme circumstances (these are certainly the minority of farmers, but our

commitment is to all farmers, **including** those in extreme circumstances). These tools include loan note guarantees, participation with other lenders such as Farm Service Agency and MARBIDCO, crop insurance, etc.

Farm Credit is an expert in financing agriculture. We have been doing it for over 95 years now, and we will continue to do everything that we can do to finance credit-worthy farmers in the future.