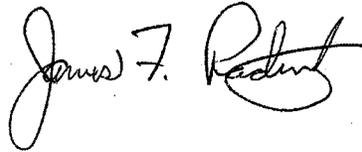


**For:** State and County Offices

**Increasing USDA Collaboration With SBA**

**Approved by:** Acting Deputy Administrator, Farm Loan Programs



**1 Overview**

**A Background**

GAO conducted a study of FSA and SBA disaster assistance programs to identify factors that may limit participation, and examine FSA and SBA efforts to collaborate when providing assistance. The findings of this study were published in the GAO-12-844 Report in September 2012.

The study recommended that FSA and SBA officials develop a strategy to better formalize collaboration, through MOU, and educate staff about the other agency’s programs. USDA, including FSA and RD, and SBA have recently entered into MOU to increase interagency collaboration and educate staff.

**B Purpose**

This notice provides:

- a copy of the SBA and USDA MOU (Exhibit 1)
- guidance on:
  - increasing collaboration with SBA and RD
  - reporting SBA and RD participation in lender training
- information on FSA, RD, and SBA lender training and joint lending initiatives.

**C Contacts**

If there are questions about this notice:

- County Offices shall contact their State Office
- State Offices shall contact LMD at 202-720-3889.

<b>Disposal Date</b>	<b>Distribution</b>
October 1, 2014 12-16-13	State Offices; State Offices relay to County Offices

## Notice FLP-663

### 1 Overview (Continued)

#### D SBA and USDA MOU

State and County Offices should become familiar with the contents of MOU provided in Exhibit 1.

### 2 Increasing USDA Collaboration With SBA

#### A Purpose

Because of limited FLP loan funding and the increased financing needs of many farming operations, it is crucial that agricultural producers are aware of all possible sources of financing for their operation. In many cases, SBA and RD loan funds may be available to provide a portion of the financing needed for an agricultural producer.

**Example 1:** A local dairy is considering expanding their herd from 500 to 850 cows, using a portion of their milk production to produce specialty cheese to be direct marketed, and constructing a manure digester. Like many agricultural producers, the dairy wants to become vertically integrated and be more energy independent.

FSA, RD, and SBA collaborated to provide the financing needed for this dairy as follows.

- FSA provided a \$500,000 guarantee to expand their dairy herd.
- FSA and SBA jointly financed an expansion of their dairy barn. FSA provided a \$800,000 guarantee and SBA provided a \$500,000 guarantee.
- RD and SBA jointly financed the construction of the cheese production and packaging facility. RD provided a \$250,000 guarantee and SBA provided a \$150,000 guarantee.
- RD provided a \$750,000 loan to construct the manure digester. The dairy also received \$500,000 in funds from NRCS's EQIP program for this purpose.

Without collaboration between FSA, RD, and SBA, this dairy would have been unable to obtain the financing needed. FSA, RD, or SBA loan funding alone would not have been sufficient to meet their needs.

## Notice FLP-663

### 2 Increasing USDA Collaboration With SBA (Continued)

#### A Purpose (Continued)

**Example 2:** A small fruit producer recently received an FSA Microloan to finance the start of their operation. The producer wants to open a small fruit drink stand at the local shopping center, using a portion of their fruit production. FSA met with the local SBA official to discuss this producer's plans. SBA was able to provide the financing needed to open the fruit drink stand.

Without collaboration between FSA and SBA, this fruit producer would not have been able to obtain the financing needed.

In the past, collaboration between USDA and SBA has been minimal. Increasing collaboration between USDA and SBA will help ensure that the financing needs of agricultural producers are met.

#### B Initiating Contact With Local Representatives and Local Partners

To increase collaboration, State and County Office FLP officials should initiate contact with any RD and SBA regional or district office in their local commuting area. Items to discuss should include the following.

- Potential areas of FSA, RD, and SBA collaboration to provide financing to local agricultural producers.
- Joint participation in applicable FSA, RD, and SBA training sessions, including training to FSA, RD, and SBA lenders.
- Joint outreach/marketing efforts.

SBA works with a number of local partners to counsel, train, and mentor small businesses. State and County Office FLP officials should initiate contact with SBA's local partners. SBA's local partners include SCORE chapters, Small Business Development Centers, Women's Business Centers, Veteran's Business Outreach Centers, and Certified Development Companies.

Local SBA regional or district offices and local SBA partners can be found at <http://www.sba.gov/tools/local-assistance>.

## Notice FLP-663

### 2 Increasing USDA Collaboration With SBA (Continued)

#### C SBA, RD, and FSA Participation in Guaranteed Lender Training

Regional SBA representatives and SBA lenders may not be familiar with FSA or RD loan programs. FLP staff and lenders may not be familiar with SBA or RD loan programs. To ensure that USDA and SBA agency staff and lenders are aware of the loan programs available to assist agricultural producers, FSA State and/or County Offices shall invite the following to attend guaranteed lender training:

- SBA and RD representatives
- lenders who are active in SBA and/or RD lending.

Local SBA lenders may be found at

**<http://www.sba.gov/category/lender-navigation/search-sba-lenders>**. The search may be conducted by proximity or by lender's loan volume.

In addition, FSA staff shall attend and participate when invited to RD and/or SBA lender training.

#### D Reporting Requirements

SED's shall complete Exhibit 2 for each lender training session, and within 45 calendar days of lender training, e-mail Exhibit 2 to Bradley Johnson at **[bradley.a.johnson@wdc.usda.gov](mailto:bradley.a.johnson@wdc.usda.gov)**.

**Note:** FSA training officials may use Exhibit 2 as a lender attendance sheet.

DAFLP will be using the information reported on Exhibit 2 to increase collaboration with both RD and SBA, and more effectively market FSA, RD, and SBA loan programs to lenders.

## Notice FLP-663

### 3 USDA and SBA Initiatives

#### A USDA and SBA Cross Training Initiative

For USDA and SBA to effectively collaborate to assist agricultural producers, each agency shall:

- become familiar with each agency's loan programs, including the credit analysis procedures used
- develop and maintain effective working relationships
- provide joint training seminars to lenders
- develop a network of joint resources partners.

USDA, including FSA and RD, and SBA National Offices, are developing a cross training program to assist in implementing the USDA and SBA cross training initiative. Additional guidance is forthcoming.

**Note:** SBA loan program information is available at <http://www.sba.gov/loanprograms>.  
RD loan program information is available at [http://www.rurdev.usda.gov/RD\\_Loans.html](http://www.rurdev.usda.gov/RD_Loans.html).

#### B USDA and SBA Joint Lending Initiative

In some cases, FSA and SBA and/or RD may jointly participate in providing the financing needed for an agricultural producer. USDA, including FSA and RD, and SBA are reviewing ways to streamline the loan underwriting process for joint participation loans.

**Example:** FSA has extensive experience in underwriting loans to agricultural producers and may be able to assist RD and/or SBA in their loan underwriting process.

**Note:** For all RD and/or SBA participation loans, FSA staff shall collaborate with the applicable agencies. To the maximum extent possible, loan application information that is provided by RD and/or SBA should be used for the FSA loan request. In addition, FSA loan application information shall be provided to RD and/or SBA when requested.

**SBA and USDA MOU**

The following is a copy of the SBA and USDA MOU.

**Memorandum of Understanding**  
*between the*  
**U.S. Small Business Administration**  
  
**and the**  
  
**U.S. Department of Agriculture**

**I. PURPOSE**

The U.S. Small Business Administration (SBA) and the U.S. Department of Agriculture (USDA), together known as the "Agencies" or the "Participants" -- believe that there are small businesses and agricultural producers with underserved financial needs in rural areas.

Small businesses and small agricultural producers, including those owned or operated by minorities, women or veterans, would benefit from a joint effort by the Agencies to encourage sustainable growth and development financed by or assisted by:

- Loan guarantees from SBA
- Loan guarantees, direct loans, and grants from USDA

The Agencies enter into this Memorandum of Understanding (MOU) striving to better serve rural small businesses by:

1. Improving opportunities for rural small businesses to start and grow
2. Coordinating the delivery of technical assistance programs

## SBA and USDA MOU (Continued)

3. Increasing the number of rural small business loans guaranteed or made by the Participants, commensurate with the funding made available for these programs
4. Facilitating the development and strengthening of relationships across the Agencies' approved lenders, intermediaries, and networks of resource partners
5. Developing relationships with Federal, State, county, and local agencies; private organizations; and commercial and financial institutions to facilitate and support the development of strong rural small businesses
6. Fostering and supporting sustainable development, livable wage jobs, and quality of life objectives and principles
7. Fostering collaboration between the Agencies to ensure that financing is available to agricultural producers

Each Agency will apply its expertise and experience according to its legislative mandate, to assist small businesses and agricultural producers in rural areas.

## II. AGENCIES

### U.S. Department of Agriculture (USDA)

USDA provides leadership on food, agriculture, natural resources, rural development, nutrition, and related issues based on sound public policy, the best available science, and efficient management. USDA works to expand economic opportunity through innovation, helping rural America to thrive; promotes agriculture production sustainability that better nourishes Americans while also helping feed others throughout the world; and preserves and conserves our Nation's natural resources through restored forests, improved watersheds, and healthy private working lands.

### Small Business Administration (SBA)

SBA acts under the Small Business Act of 1953, as amended, and the Small Business Investment Act of 1958, as amended, to aid, counsel, assist, and protect the interests of small business. SBA guarantees loans and provides business development assistance to small businesses. SBA administers its programs through district offices and U.S. Export Assistance Centers throughout the United States. SBA provides additional services through its network of resource partners managed by the Office of Entrepreneurial Development (OED): the Small Business Development Centers (SBDC), SCORE, Women's Business Centers (WBC), and Veterans Business Outreach Centers (VBOC).

## III. SCOPE

Many rural parts of the country have suffered decades of poverty reflected in unemployment and underemployment. Shifting demand, global competition, and changing demographics have escalated the conditions that cause pockets of persistent poverty, loss of jobs, declining population, and lack of investment and operating capital in many rural areas. The Agencies intend to work together to stimulate small business creation

SBA and USDA MOU (Continued)

and expansion in rural areas.

The Agencies each intend to use their respective resources to provide small businesses and agricultural producers in rural areas with loans, loan guarantees, grants and technical assistance in an effort to help build diverse and sustainable economies, reverse population decline, create and sustain jobs, and improve quality of life. When possible, the Agencies will coordinate efforts with their lenders, intermediaries, networks of resource partners, State, county, and local agencies to help rural small businesses and agriculture producers start, grow, and thrive.

The Agencies' resource partners, such as Historically Black Colleges and Universities, Land-Grant Universities, Cooperative Extension Service, and other education institutions may be asked to participate in the various ways as the Agencies work together to help strengthen the rural economy. Through the cooperation outlined in this MOU, the Agencies will support smart growth strategies to enhance the livability and sustainability of rural communities, combat urban sprawl, and promote growth that strengthens and diversifies rural economies.

The Agencies realize that some joint training and outreach activities contemplated in this MOU may be subject to additional negotiation and a separate signed agreement pursuant to SBA's cosponsorship authority (15 U.S.C. § 633(h)) and include input from SBA OED program management offices.

**IV. AREAS OF COLLABORATION**

The Agencies intend to coordinate delivery of their respective programs to rural areas by joint activities which may include, but are not limited to, the following:

Marketing and Outreach

1. Each Agency's field offices and OED program offices intend to advise potential small business and agricultural applicants of the other Agency's credit programs, that may support all or a portion of their financing needs. The Agencies field offices will exchange promotional and reference materials, including brochures and training schedules, and will distribute the other Agency's information to its field network and potential applicants when appropriate.
2. Each Agency's field offices intend to coordinate referrals of small business and agricultural applicants to one another and to each party's network of resource partners when appropriate and consistent with each Agency's mission.
3. Each Agency intends to coordinate its outreach to local and national financial institutions to increase awareness of the relevant Agency programs and the special characteristics of and potential for economic development in areas, subject to the availability of funds.
4. The Agencies will work with SBA OED program offices to encourage their networks of resource partners to refer rural small businesses and agricultural producers to the other Agency's resources, where appropriate. USDA's network includes National and State Rural Partnership Councils, State and sub-State Offices, revolving loan fund and technical assistance intermediaries, Appropriate Technology Transfer to Rural Areas, National and State employee associations, State Department

SBA and USDA MOU (Continued)

of Agriculture offices, Cooperative Extension Service offices, agricultural lenders, and Land-Grant Universities. SBA’s network includes Small Business Development Centers, SCORE Chapters, Veteran Business Outreach Centers, and Women’s Business Centers. By mutual agreement, the Agencies may identify pairings of State and district offices to explore mutual best practices available to serve clients.

5. Within the limits of their respective authorities, the Agencies intend to develop working relationships with other Federal, State, county, and local agencies; private organizations; and educational and financial institutions to facilitate and support the development of strong rural businesses.

Use of Technology

The Agencies will provide links to each other’s Internet Home Pages and also link to BusinessUSA. Each Agency will ensure that the locations and addresses of the other Agency’s field offices may be accessed from its Web site. To the extent available and practicable, other technology links will be explored and implemented by mutual consent. In addition, Application Program Interface (API) may be developed to allow data to synch automatically with BusinessUSA for calendar, events, local offices, and program information (including FAQs etc.), subject to the availability of funds.

Agency Cross Training

Each Agency, to the extent practical and to the extent funds are available, intends to develop joint field training seminars and provide representatives to explain programs, credit analysis techniques, and processing and servicing policies to the staff of the other Agency during these training seminars along with information regarding their lenders, intermediaries, and networks of resource partners and the services that they provide.

SBA – in conjunction with its OED Program Managers’ relationship with the Small Business Development Centers, (SBDCs), Women’s Business Centers (WBCs) and SCORE Chapters – will help facilitate cross training opportunities between SBDC, WBC and SCORE counselors and , Rural Development (RD) and Farm Service Agency (FSA) State Directors, and members of Rural and Agriculture Interest Section on Loan and Grant programs for rural small businesses and agriculture producers, and other members of USDA’s network as appropriate. For example, resource partners of one Agency may be invited to the other’s conferences to provide training on its respective programs/services.

Joint Lending Engagements

The Agencies will continue exploring ways each Agency may capitalize on the strengths of the existing loan program processes and procedures already established by each Agency, such as delegated lending authority and lender oversight requirements.

Local and Regional Food Supply Network Lending

The Agencies will exchange information and discuss ways to increase lending to small agricultural producers and other borrowers who provide locally grown produce or play a role in the local food supply chain.

Harmonizing Loan Program and Forms

## SBA and USDA MOU (Continued)

In order to serve the largest number of rural small businesses as efficiently as possible, the Agencies will explore the possibility of making their financial programs more complementary, such as minimizing differences in processing and closing procedures, to the extent permitted by the statutes and regulations that govern the respective programs. Any harmonization efforts will be documented through a separate written agreement.

Program Management and Review

1. At least semi-annually, each SBA District Director, Branch Manager, or designee will meet with his/her USDA counterpart, RD State Director and FSA State Executive Director, or designee, and other members of USDA as appropriate to review previous joint activities and outline additional cooperative efforts. They should try to initiate, in cooperation with local organizations and within each Agency's respective authorities, at least one joint outreach event or project each year to support the growth and development of rural businesses in their districts.
2. SBA District Directors and OED Program Managers, and at a minimum, RD State Directors and FSA State Executive Directors will designate a senior staff member to implement the special projects contemplated under this MOU and coordinate service delivery.
3. At least annually, SBA's Associate Administrator for Field Operations, SBA's Associate Administrator for International Trade, SBA's Associate Administrator for Entrepreneurial Development, USDA's Administrator for Business and Cooperative Programs, Rural Business Service's (RBS) Deputy Administrator for Business Programs, and FSA's Deputy Administrator for Farm Loan Programs, or their designees, and other members of USDA appropriate will review the previous year's joint activities and outline any additional cooperative efforts needed to further the purposes of this MOU.

BusinessUSA

BusinessUSA.gov (BusinessUSA) is an official website of the U.S. Government and serves as a centralized, one-stop platform for businesses seeking information on Federal government program and services that can be used to grow their companies and increase employment.

Beginning in 2013, USDA will collaborate with SBA to provide BusinessUSA with information on its entire loan and grant programs. SBA and USDA will also work together to customize the existing "Loans and Grants" tile on BusinessUSA to include a selection for rural designation. This will allow for a one-stop resource for visitors seeking information on Federal government loans and grants available to businesses located in rural areas – areas with populations of 50,000 or less.

**V. TERM, AMENDMENTS AND TERMINATION**

This MOU supersedes any prior MOUs on this subject and will take effect when signed by the Participants and remain in effect for 3 calendar years, at which time the Participants may extend the MOU for an additional 2 years by mutual written agreement. The Participants may amend this MOU at any time by mutual written agreement. Either Participant may terminate this MOU upon giving 60 days written notice to the other. This agreement is subject to applicable statutes and regulations.

USDA and SBA and their respective agencies and offices will handle their own activities and utilize their own

SBA and USDA MOU (Continued)

resources, including the expenditure of their own funds, in pursuing these objectives. Each participant will carry out its separate activities in a coordinated and mutually beneficial manner.

Nothing in this MOU shall obligate either USDA or SBA to obligate or transfer any funds. Specific work projects or activities that involve the transfer of funds, services, or property among the various agencies and offices of USDA and SBA will require execution of separate agreements and be contingent upon the availability of appropriated funds. Such activities must be independently authorized by appropriate statutory authority. This MOU does not provide such authority. Negotiation, execution, and administration of each such agreement must comply with all applicable statutes and regulations.

This MOU is not intended to, and does not create, any right, benefit, or trust responsibility, substantive or procedural, enforceable at law or equity, by a party against the United States, its agencies, its officers, or any person.

VI. CONTACT PERSONS

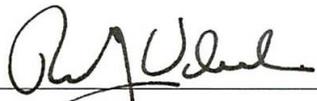
The responsible officers for this MOU shall be:

- SBA, Meagan Gardner, Special Advisor to the Associate Administrator for Field Operations
- USDA, Todd Batta, Senior Advisor to the Secretary

VII. SIGNATURES

The following individuals have authority to commit their respective Agencies to the terms of this MOU:

Department of Agriculture (USDA)

  
 \_\_\_\_\_  
 Thomas J. Vilsack  
 Secretary

9.4.13  
 \_\_\_\_\_  
 Date

Small Business Administration (SBA)

  
 \_\_\_\_\_  
 Karen G. Mills  
 Administrator

AUG 22 2013  
 \_\_\_\_\_  
 Date

