



July 9, 2009

Connie Holman
U.S. Department of Agriculture
Farm Service Agency
1400 Independence Ave., S.W.
Washington, DC 20250-0506

Re: *Recommendations for Beginning Farmer and Rancher Individual Development Account program regulations*

Dear Ms. Holman:

The Beginning Farmer and Rancher Individual Development Account (BFRIDA) authorized in *The Food Conservation and Energy Act of 2008* created a matched savings account program to enable up to 4,000 new farmers and ranchers start or expand their farms.

With the objectives of promoting local economic development in rural communities, increasing farming opportunities among non-traditional farming populations and strengthening food security and independence, the BFRIDA program matches the savings of and provides financial and business training to new agricultural entrepreneurs.

BFRIDA builds on the success of other IDA programs, including the Assets for Independence program and the Office of Refugee Resettlement IDA program administered by the Department of Health and Human Services. Collectively providing matched savings to more than 85,000 savers over the past decade, these programs offer lessons in best practices. In drafting the BFRIDA bill language, many of the successful and challenging practices encountered by these programs were considered.

We appreciate USDA's support for this new program to strengthen the food supply, address a growing shortage of farmers and expand rural economies. We are thrilled it was including in President Obama's budget and hope it continues to be included in future years. As you now begin to draft regulations, we encourage you to consider some of these key program components to facilitate the success and impact of BFRIDA.

Below, and referenced in the attached document containing the bill language, we offer suggestions to clarify the original intent and/or ensure that, as implemented, this pilot program will be most efficient and successful both in the administration of the program and the potential impact on new agricultural entrepreneurs.

Please consider the following recommendations:

1. **Revise the definition of a “qualified entity” to permit state, local and tribal governments to partner with a national organization to apply to receive a grant.** Subsection (a)(4)(A)(ii) requires that state, local or tribal governments partner with a 501(c)(3) organization to apply for a grant. Clarification should be provided to ensure that potential grantees should have the option to partner with either a local or a national 501(c)(3) organization to apply for a grant. Limiting a partnership to local organizations would restrict the ability of rural and Native American communities, which often have limited local non-profit organizations with which to partner, to access what has proven to be an effective savings product in other communities thereby impeding the potential success and impact of this program.
2. **Clarify that grant funding must be used in at least 15 states; not necessarily awarded to individual entities located in 15 states.** This clarification would ensure that program money is accessible to agricultural entrepreneurs in at least fifteen states but does not prevent grantees – especially regional grantees - from providing funds in multiple states, thereby contributing to the mandated operation of the pilot in at least 15 states.
3. **Affirm that, as outlined in subsection (b)(3)(C), the 10% limit on administration fees applies only to federal funds; there is no limit on the use of non-federal funds for administrative fees.** Evaluations of other IDA programs has revealed that such a low limit on program costs has strained non-profits working to recruit participants into the program, provide financial education and business training and cover general administrative fees of the program. As the legislation affirms, the original intent was to place a 10% limit on administrative fees applicable to federal funds only; non-federal and private contributions could be used to support the effective operation of the program.
4. **Allow interest earned on both federal and non-federal funds to be used at the discretion of the grantee.** This provision, outlined in subsection (b)(3)(D), affirms the intent to place a cap on administrative fees to federal grants only.
5. **Permit grantees to determine the match rate – which ranges from 1:1 to 2:1 – at their own discretion.** Subsection (b)(4)(B)(ii)(I) permits grantees to exercise this discretion.
6. **Provide up to \$6,000 in matching funds over the course of the entire enrollment period.** Clarify subsection (b)(4)(C)(i) to limit the available match to \$6,000 over the five-year match period. Subsection (b)(4)(C)(i) indicates a possible match of as much as \$6,000 per participant for each fiscal year the saver is enrolled in the program. However, this does not reflect the original intention of a \$6,000 match limit over the course of the entire program, not for each year the participant is enrolled in the program. The \$6,000 limit is higher than the federal match limit in either the AFI or ORR IDA programs, reflecting more accurately the needs of agricultural entrepreneurs seeking to start or expand an enterprise. Providing a \$6,000 match for each fiscal year would significantly limit the number of agricultural entrepreneurs who could potentially benefit from this pilot initiative.
7. **Allow matching funds to be considered as income for mortgage purposes.** Subsection (b)(4)(C)(ii) stipulates that match funds will not be considered a gift or loan for mortgage purposes, thereby enabling program participants to secure more affordable and appropriate loans. Consult IRS

Revenue Ruling 99-44 (<http://www.irs.gov/pub/irs-irbs/irb99-44.pdf>) for additional information and guidance regarding the consideration of match funds as gifts or loans.

8. **Allow program participants up to two years following the last matching contribution to make an asset purchase with their savings and match.** Retain subsection (b)(5)(B)(i) which clarifies a two-year extended time period after the last matching funds are provided in which the saver may make an asset purchase. This enables savers adequate time to research and choose an appropriate investment.
9. **Permit qualified entities to apply for multiple grants.** Clarify that subsection (d)(2) limits the annual grant amount awarded to \$250,000 but does not prohibit grantees from applying for additional grants over the course of the five-year pilot period.
10. **Permit grant funds awarded to non-performing grantees to be reallocated to other programs serving different populations in different states.** Subsection (g)(1) and (3) clarifies this intent and ensures that grant money will be utilized as intended to assist new farmers and ranchers start or expand an agricultural enterprise.

As you move forward, we hope you will consider these comments and suggestions. If you have any questions, please contact Camille Palacio at (202) [207-0141](tel:207-0141)/cpalacio@cfed.org or me at cwayman@cfed.org or 202.207.0125.

Sincerely,

Carol Wayman
Carol Wayman
Federal Policy Director

Cc: Carolyn Cooksie
James F. Radintz