

STRENGTHENING RELATIONSHIPS BETWEEN LENDERS & FARMERS OF COLOR

APRIL 23, 2014 ROUNDTABLE SUMMARY



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ROUNDTABLE SUMMARY

- On April 23, 2014, the MSU Center for Regional Food Systems (CRFS) and the National Sustainable Agriculture Coalition (NSAC), with representatives from the Opportunity Finance Network (OFN), hosted the first-ever roundtable of farmer of color networks (FOCN) and Community Development Financial Institution (CDFI) representatives to engage in dialogue around strengthening the relationship between farmers of color and supportive lenders.

The goal of the roundtable, Strengthening Relationships Between Lenders and Farmers of Color, was to establish common ground among farmers of color and regional lenders for expanding access to financial capital.

The meeting agenda encouraged participants to:

- Develop a shared understanding of efforts to strengthen access to financial capital.
- Examine existing challenges and effective practices from both farmers' and lenders' perspectives.
- Brainstorm approaches to and success indicators for improving access to financial capital.

The CRFS and NSAC-led Planning Team intentionally selected representatives from CDFI, farmer of color networks (FOCN), and the United States Department of Agriculture Farm Service Agency (USDA FSA) for the afternoon break-out sessions. The MSU CRFS conducted two pre-meeting information-gathering surveys, one among CDFIs and one among FOCNs. Findings from both surveys prompted substantive discussions about the challenges and successful efforts to strengthen relationships between regional lenders and farmers of color.

KEY THEMES AND FINDINGS

Morning Session: Challenges and Successes.

Participants confirmed that the overarching problem in providing and attaining financial capital was not the viability, potential, or importance of smaller diversified farms, but rather the lack of familiarity between FOCNs and the CDFI community.

CDFI lenders cited the following as key challenges in financing farmers of color: limited knowledge of agriculture, successful farm business models, language barriers; insufficient or nonexistent recordkeeping and business planning on the part of borrowers; need for time-intensive technical assistance for borrowers; borrowers' lack of awareness of CDFIs and borrower aversion to debt financing and fear of lenders based on negative experiences and discrimination.

FOCN representatives said major challenges to borrowing that farmers of color face include poorly structured loans; impersonal and often complex and time-intensive application processes; fear of lenders and lending based on historical discrimination and negative experiences with lenders; collateralizing of land and increased threat of land foreclosure; limited financing options based on the stage and scale of farm businesses; need for training in recordkeeping and business planning; limited CDFI presence within farmers' communities or lack of outreach from CDFIs; and need for more relationship-based and alternative models to credit score-based lending models.

Afternoon Roundtable Break-Out Sessions.

After a spirited roundtable discussion about these challenges and opportunities for farmers of color seeking financial capital, the group divided into break-out sessions. One session was designed for farmer-to-farmer networking. A second session sought to spur partnership options between CDFIs and the Farm Service Agency (FSA).



FOCN Peer-to-Peer Networking. FOCN representatives discussed the dual goals of weaving capital into those network operations while tracking federal agriculture lending activity. FOCN members work with farmers to prepare them for loan readiness at the local level. Partnerships between FOCNs and CDFIs may help farmers prepare and apply for loans and enable FOCNs and CDFIs to leverage additional sources of funding support. In regions where CDFIs are nonexistent, FOCNs could consider becoming certified as CDFIs. This would help fill the gap and allow greater autonomy over how, where, and to whom the funding is distributed. Other ideas identified included:

- Exploring cost sharing and cooperatively financed ownership models among farmer groups to address land and equipment needs.
- Exploring more creative land ownership and financing strategies that prioritize models such as community land trusts, land banks, and consolidation of highly fractionalized interests in Native American land.
- Exploring strategies to build lender accountability around providing culturally appropriate capital.

CDFI-USDA FSA Partnerships. During the afternoon break-out session, CDFIs and FSA representatives discussed partnership options to reach a wider audience of farmers of color and generate greater access to USDA FSA financing programs throughout the country.

Participants discussed specific USDA FSA programs, such as Guaranteed Farm Loans, Microloans, and Individual Development Accounts, and changes for these programs through passage of the 2014 Farm

Bill. The FSA Microloan program, for example, is now a permanent program and authorized to enable non-profit community lenders such as CDFIs to act as FSA intermediaries and provide microloans and financial training to underserved farmers like farmers of color and small, beginning, or veteran farmers.

WRAP UP: OPPORTUNITIES & COMMITMENTS

The roundtable's intensive day-long discussions identified opportunities for all stakeholders to learn from one another and to reach mutual accords. They agreed that:

- Very few farmers of color networks are aware of the mission, structure and function of CDFIs. Very few CDFIs are aware of the cultural issues surrounding the attainment of financial capital and how it differs across race/ethnicity, region, farm size, and farm type. Additionally, while all CDFIs at the table have taken steps to increase their agricultural lending, they are limited in their knowledge of the farming sector. Both FOCNs and CDFIs would benefit from capacity building and training to better understand these issues and work effectively with one another.
- Detailed descriptions of the CDFIs' outreach to broaden their lending footprints convinced FOCNs that intentional steps are needed to ensure FOCNs maintain sovereignty over their financial capital. In order to promote a system where farming isn't synonymous with debts, there needs to be further exploration of funding models that do not replicate existing farm loan systems implemented at the federal and state level.

Given the enthusiasm to move forward, several suggestions for continued relationship building emerged:

- CDFIs and FOCNs can help one another fill gaps in knowledge and outreach, and those around the table can create tangible opportunities for farmers of color and lenders.
- A commitment to creating and improving access to resources should underpin their mutually beneficial objectives.

In solidarity, participants prioritized achievable objectives and charted a future course:

- 1) CDFI Caucus and Community of Practice: Creating an agricultural lending caucus among CDFIs and FOCNs that focuses on the development of short and long term policies and efficient and achievable practices, including designated funding for FOCN projects modeled after the Healthy Food Financing Initiative (HFFI).

Progress benchmarks could include but would not be limited to:

- a. Tracking FSA approved loans through CDFI lenders.
 - b. Creating policy/practice workshops on FOCN-CDFI partnerships at OFN annual conferences.
 - c. Exploring how CDFIs can adapt other financing models, such as community land trusts and cooperative financing.
- 2) FOCNs becoming CDFIs: Explore the feasibility of FOCNs becoming lending institutions certified by the U.S. Department of the Treasury CDFI Fund and, if feasible, provide follow up action steps to help FOCNs achieve CDFI status with capacity building and capitalization.
 - 3) Access to credit and land ownership: Provide information, outreach, training, and technical assistance to farmers of color to help them become sound borrowers and land owners.

Practical steps the participants identified to achieve these objectives include:

- 1) Mapping FOCN and CDFI locations nationally.
 - a. The first step would be determining who is collecting agricultural lending data:
 - i. OFN conducts informational surveying biannually and maintains a membership database that could serve as the basis of CDFI mapping.
 - ii. Lending information available through the HFFI could also inform CDFI mapping.
 - b. FOCNs could work together to determine sources of or organizations to coordinate FOCN mapping.
- 2) Regionally located CDFIs and FOCNs leading efforts to organize caucus agendas, identify and recruit caucus members, and identify and create mutually beneficial resources.
- 3) Exploring land trust and land bank authority models: community operational models that support farmers keeping and/or acquiring farm land.
- 4) Connecting with nonprofit and corporate funders who are interested in supporting farm enterprises in underserved communities.
- 5) Continuing conversations with USDA FSA and speaking with other agencies about improving access to credit and preventing forecloses among farmers of color, especially in vulnerable regions of the country.



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