

Honorable Tom Vilsack
United States Secretary of Agriculture
1400 Independence Avenue, Suite 200
Washington, DC 20250

Dear Mr. Secretary:

We, the undersigned organizations, write in regards to the proposed rule for the Rural Microenterprise Assistance Program (RMAP) issued by the Department of Agriculture on October 7, 2009.

Small businesses are the backbone of rural economies, and entrepreneurs with strong business skills are what make these enterprises successful. Training on skills such as how to prepare strong business plans, marketing goods and services and manage finances are critical to the success of these enterprises.

While training is certainly not the only need of struggling microentrepreneurs, in many instances it is the first, most critical and greatest need. Provision of credit won't lead to success without the skills and technical assistance to use it successfully.

RMAP credit assistance is limited by statute to microenterprise that do not have access to commercial credit. Without appropriate training and strong business plans, the microentrepreneurs who receive credit from MDOs after being turned down by commercial lenders would have difficulty repaying those loans. Many MDOs also serve additional entrepreneurs with training and technical assistance who will not receive capital from any source without first developing additional skills.

The proposed rule reflects neither the reality of how successful microenterprise assistance works, nor Congressional intent. The RMAP statute is clear - the program should fund programs to train microentrepreneurs in addition to providing loans and related technical assistance.

We urge you to revise the proposed rule so that it:

- **Maintains the intent of Congress by restoring the balance between the funding for loan capital and funding for training and technical assistance:** Good business planning, skills in marketing, management and accounting are essential to business success. The ultimate goal of microenterprise development should be to help build viable, sustainable businesses in rural communities. In direct contradiction to the law, the proposed rule eliminates all grants to microenterprise programs to provide business training to existing and prospective microentrepreneurs. In addition, the proposed rule caps technical assistance grants to organizations at \$100,000, despite clear legislative language allowing such grants up to 25 percent of outstanding loans. By eliminating the training funds and capping technical assistance funds, the proposed rule will make it difficult for organizations to provide the services microentrepreneurs need to succeed.
- **Recognize an organization's plan to serve rural microentrepreneurs, not just its past experience serving rural microentrepreneurs:** The proposed rule awards a higher score to microenterprise development organizations with past experience providing technical assistance and services or to organizations currently operating in rural areas. The proposed rule is backward looking. It disadvantages microenterprise organizations that currently offer one service (e.g. finance) and

propose using RMAP funds to add one of the other microenterprise service (e.g. technical assistance). It disadvantages urban microenterprise organizations that want to expand to under-served rural areas. This is in direct contradiction to the needs of rural microentrepreneurs - most of whom do not currently have access to some or all microenterprise services. If the program is to succeed, it must prompt development of new services by existing providers of a single service and expansion of existing urban programs into rural areas. The proposed rule would discourage both and thereby undermine the success of RMAP in achieving the purposes for which it was created.

- **Reflect the reality of how lending to microentrepreneurs actually works:**
The proposed rule is inflexible and will unnecessarily increase expenses for microenterprise service providers. For example, programs must identify prospective borrowers before they can receive loan funds from USDA. The result is that more time must be spent completing paperwork, leaving less time to serve microentrepreneurs. These rules ignore the flexibility needed to help microentrepreneurs be successful.

We look forward to hearing from you on these comments and to a speedy implementation of this important program.

Sincerely,

Center for Rural Affairs