

Federal Credit Assistance and Grant Programs for Rural Businesses: In Brief

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Introduction

More than 377,000 businesses are located in rural areas across the United States, employing more than 4.6 million workers according to the U.S. Census Bureau's 2020 Economic Survey.¹ Many rural entrepreneurs face challenges accessing capital to help start, expand, and modernize their businesses.² A decline in the number of banks located in rural areas has limited access to capital for many rural businesses.³ The decline in rural banks also has led to an increased use of nonbank alternatives for business loans, such as payday loans, that tend to charge high fees and interest rates.⁴

Federal agencies administer credit assistance and grant programs to help fill the private market capital gap for rural businesses, including for-profit and not-for-profit businesses (e.g., rural cooperatives). Credit assistance programs use three strategies to help rural businesses access capital:

1. provide capital directly to businesses through loans;
2. provide capital to intermediary lenders that issue loans to businesses; and
3. guarantee loans provided by intermediary lenders;

Many federal credit assistance programs require businesses to certify that they are unable to obtain credit elsewhere.⁵ This requirement attempts to ensure that federal credit assistance programs do not compete with local banks but instead fill a gap that is unmet by local banks. A limited number of federal programs provide grants to for-profit businesses in certain industries.

This report provides an overview of selected federal credit assistance and grant programs that support rural businesses. The report focuses on programs administered by the U.S. Department of Agriculture (USDA), U.S. Small Business Administration (SBA), and the U.S. Department of Commerce's Economic Development Administration (EDA), as well as the Appalachian Regional Commission (ARC), a federal regional commission. In recent years, Congress has authorized one-time funding for some credit assistance initiatives that supported rural and agricultural businesses during the Coronavirus Disease 2019 (COVID-19) pandemic, but these efforts are beyond the scope of this report.⁶

¹ Data compiled by the Congressional Research Service (CRS) from the U.S. Census Bureau's 2020 Economic Survey: Business Dynamics Statistics: Establishment Age – 1978-2020.

² SCORE, "Rural Small Businesses Seek Talent, Technology to Succeed in Digital Age," September 27, 2022, at <https://www.score.org/headline/rural-small-businesses-seek-talent-technology-succeed-digital-age>.

³ "Consumers and small business owners in communities experiencing considerable bank branch closures are finding local substitutes for some, but not all, of the services they used to access at the local bank branch. However, they generally report doing so at increased cost and reduced convenience, and these challenges appear to be exacerbated for certain groups, such as those with lower incomes, older individuals, and small business owners" (see Board of Governors of the Federal Reserve System, *Perspectives from Main Street: Bank Branch Access in Rural Communities*, November 2019, p. 11, at <https://www.federalreserve.gov/publications/files/bank-branch-access-in-rural-communities.pdf>).

⁴ Ibid.

⁵ *Credit elsewhere* is defined in 15 U.S.C. §632(h) as the "availability of credit on reasonable terms and conditions to the individual loan applicant from non-federal, non-state, non-local government sources." Businesses may be unable to obtain credit from local banks for a number of reasons, including poor credit history, poor cash flow, or lack of collateral. For more information, see Matthew Gillman, "7 Reasons You May Have Been Denied Business Financing," America's Small Business Development Center, blog post, April 18, 2022.

⁶ For example, Congress provided \$100 million in budget authority for the Food Supply Chain Guaranteed Loan

USDA Programs

USDA administers six credit assistance and grant programs through the Rural Business-Cooperative Service (RBCS) that help expand access to credit and capital for rural businesses. These programs use revolving loan funds, loan guarantees, and grants to support rural businesses. **Table 1** provides a summary of these USDA programs, including the type of services provided and the statutory authority.

Revolving Loan Funds

USDA administers three programs that provide credit assistance to rural businesses through revolving loan funds. Revolving loan funds are structured so that loans are issued to businesses, businesses repay their loans, lenders use the payments to replenish the funds, and then lenders issue more loans to businesses from the funds.⁷ USDA provides loans and grants to intermediary lenders to capitalize revolving loan funds.

One advantage to using the revolving loan fund structure is that USDA issues a single loan or grant to a lender, which then may be used to issue multiple rounds of loans to businesses over time. The USDA programs that can be used to support revolving loan funds are the Intermediary Relending Program, Rural Economic Development Loan and Grant Program, and Rural Microentrepreneur Assistance Program (RMAP).

Intermediary Relending Program

The Intermediary Relending Program provides loans to eligible intermediary lenders to capitalize revolving loan funds for qualified rural businesses.⁸ Rural businesses may use the loans to pay for eligible expenses only, such as construction, repair, and equipment. Lenders can issue loans of up to \$400,000 to businesses.⁹ Lenders set the interest rates, terms, and payment structure of the loans they issue to rural businesses; fees must cover the costs of operating and sustaining the revolving loan fund. The loans issued by USDA to the lenders to establish revolving loan funds have a fixed interest rate of 1% and a maximum repayment term of 30 years. The maximum USDA loan amount for lenders is \$1 million. Eligible lenders include private nonprofit corporations, public agencies, federally recognized tribes, and cooperatives. Lenders may provide interest-only payments to USDA for the initial three years of the repayment period.

Program through §1001(b)(4) of the American Rescue Plan Act of 2021 (P.L. 117-2) for loan guarantees for food supply activities, such as aggregation, processing, manufacturing, and the transportation of food. For more information, see CRS In Focus IF11491, *Supplemental Appropriations for Agriculture and Related Agencies Due to COVID-19*, by Jim Monke.

⁷ For more information about revolving loan funds, see CRS In Focus IF11449, *Economic Development Revolving Loan Funds (ED-RLFs)*, by Julie M. Lawhorn.

⁸ 7 U.S.C. §1936b lists the entities that are eligible to apply to the Intermediary Relending Program. Businesses eligible to receive the loans issued through the revolving loan funds must certify that they were unable to obtain credit elsewhere (7 C.F.R. §4274.340(a)(11)) and be located in a rural area. A *rural area* is defined as “any area other than—(i) a city or town that has a population of greater than 50,000 inhabitants; and (ii) an urbanized area contiguous and adjacent to a city” with a population of greater than 50,000 inhabitants (7 U.S.C. §1991(a)(13)).

⁹ Lenders can issue loans through the Intermediary Relending Program of \$400,000 or up to 50% of the loan they received from the U.S. Department of Agriculture (USDA), whichever is less.

Rural Economic Development Loan and Grant Program

The Rural Economic Development Loan and Grant Program provides loans and grants to eligible utility companies to capitalize revolving loan funds, and the funds are then used to provide loans to qualified rural businesses. Utility companies are eligible for the program if they are current or former USDA Rural Utilities Service (RUS) electric or telecommunications loan borrowers or eligible to apply to RUS electric or telecommunications loan programs. Rural businesses may use the loans exclusively for

- business incubators;
- community development assistance;
- facilities and equipment to educate and train rural residents;
- facilities and equipment for medical care for rural residents;
- start-up venture costs;
- business expansion; and
- technical assistance.

Loans issued to the rural businesses can cover up to 80% of the project's costs. The rural business or the utility company must cover the remaining 20% of the costs. USDA issues grants of up to \$300,000 and loans of up to \$2 million to eligible utility companies to establish the revolving loan funds. The USDA loans have a 0% interest rate and a repayment term of 10 years or less. Program regulations require utility companies that receive grants to contribute a 20% match of the grant amount into the revolving loan funds.¹⁰ When the utility companies terminate the revolving loan fund, they must repay the USDA grants they received.¹¹

Rural Microentrepreneur Assistance Program

RMAP provides loans to eligible microenterprise development organizations (MDOs) to capitalize revolving loan funds that provide loans to qualified rural microenterprises. Nonprofit organizations, federally recognized tribes, and public institutions of higher education are eligible to apply for RMAP loans. Businesses eligible to receive the loans issued through the RMAP revolving loan funds must have 10 or fewer full-time employees and be located in a rural area. The business headquarters may be based in a non-rural area, but the business project must be located in a rural area. Rural microenterprises may use the loans to pay for

- working capital;
- debt refinancing;
- equipment and supply purchases; and
- real estate improvements.

Rural microenterprises may borrow up to \$50,000. Loans are limited to a maximum of 75% of the project's costs and must have a fixed interest rate. USDA issues loans to eligible MDOs to establish revolving loan funds ranging from \$50,000 to \$500,000. The maximum term for MDOs to repay their USDA loans is 20 years.

¹⁰ 7 C.F.R. §4280.19.

¹¹ Grant funds must be repaid by the intermediary lender to USDA Rural Development if the revolving loan fund is "unused for more than one year, misused, no longer needed for its intended purposes, or the Grant is terminated" (7 C.F.R. §4280.3).

Loan Guarantees

Business and Industry Loan Guarantee Program

USDA's Business and Industry Loan Guarantee Program provides loan guarantees to eligible lenders for their loans to rural businesses. The businesses' headquarters can be based in a non-rural area, but the location of the business project that the loan will pay for must be located in a rural area. For-profit and nonprofit rural businesses are eligible for loans. Rural businesses may use the loans to pay for

- enlarging, repairing, modernizing, or developing businesses;
- purchasing and developing land, buildings, and associated infrastructure;
- purchasing and installing machinery, equipment, supplies, or inventory;
- refinancing debt when refinancing improves cash flow and creates jobs; and
- acquiring businesses when the loan will maintain business operations and create or save jobs.

The lenders and the rural businesses negotiate interest rates for the loans, and the rates can be fixed or variable. The loan term cannot exceed 40 years. The percentage of loans to lenders that the USDA will guarantee is published annually as a notice in the *Federal Register*. For example, for FY2022 (the latest notice published in the *Federal Register*), USDA guaranteed 80% of the loan amount for lenders participating in the program.¹²

Grants

USDA also offers grants to businesses in certain industries to pay for eligible business expenses. Unlike credit assistance programs, these grant recipients are not required to repay funds. USDA administers two such programs that provide grants to rural businesses: the Value-Added Producer Grant Program and the Healthy Food Financing Initiative. These grant programs differ from the loan and loan guarantee programs, described above, which require businesses or business projects to be located in rural areas. Instead, the grant programs provide grants to qualified rural and non-rural businesses in certain industries.

Value-Added Producer Grant Program

The Value-Added Producer Grant Program offers grants to agricultural producers to help them generate new value-added agricultural products, expand their marketing for existing value-added agricultural products, and improve the profitability of their businesses. Value-added agricultural products are any agricultural commodities or products that have gained value through any of a variety of processes, such as processing (e.g., berries turned into jam), growing techniques (e.g., sustainably grown), or being marketed as a locally produced product.¹³

¹² USDA, "OneRD Annual Notice of Guarantee Fee Rates, Periodic Retention Fee Rates, Loan Guarantee Percentage and Fee for Issuance of the Loan Note Guarantee Prior to Construction Completion for Fiscal Year 2022," 86 *Federal Register* 35262, July 2, 2021.

¹³ Value-added agricultural products include agricultural commodities or products that have experienced an increase in value. This may occur through processing, such as heating, freezing, or chopping. It can also occur through specific farming production or marketing processes. The definition of a *value-added agricultural product* is provided in 7 U.S.C. §1627c(a)(12).

The program awards up to \$75,000 for planning grants to pay for activities such as conducting feasibility studies. The program also awards up to \$250,000 for working capital grants to pay for activities such as processing costs, marketing expenses, and some inventory and salary expenses. The program requires agricultural producers to match 100% of the funds provided through the federal grants. Eligible producers include farmers, ranchers, farmer-cooperatives, and rancher-cooperatives.

Healthy Food Financing Initiative

The Healthy Food Financing Initiative provides grants to eligible food enterprises and food retailers to increase access to healthy food in rural and urban communities that lack access to healthy food retail outlets. The project must be located in an area deemed to be low-income and have low supermarket access.¹⁴ Grants range from \$20,000 to \$200,000. The grants can pay for activities related to business development, renovation, and expansion. These grants are meant to be one-time capital infusions to help food retailers overcome financial hurdles in developing new food retail outlets or expanding existing outlets in underserved, low-income communities. For-profit businesses and cooperatively owned businesses are eligible to apply to the program.

Table 1. Selected USDA Rural Business-Cooperative Service Credit Assistance and Grant Programs

Program	U.S. Code	Funding Mechanism	Program Description
Business and Industry Loan Guarantee Program	7 U.S.C. §1932(g)	Loan guarantees to intermediary lenders.	Provides loan guarantees to eligible lenders for lending to qualified rural businesses.
Healthy Food Financing Initiative	7 U.S.C. §6953	Grants to eligible businesses.	Provides grants to food enterprises, including retail food stores, to increase access to healthy foods in underserved areas.
Intermediary Relending Program	7 U.S.C. §1936b	Loans to intermediary lenders.	Provides loans to eligible lenders to capitalize revolving loan funds. Lenders issue loans to rural businesses from funds for qualified business expenses.
Rural Economic Development Loan and Grant Program	7 U.S.C. §940c-2	Loans and grants to intermediary lenders.	Provides loans and grants to eligible lenders to capitalize revolving loan funds. Lenders issue loans to rural businesses from funds for qualified business expenses.
Rural Microentrepreneur Assistance Program (RMAP)	7 U.S.C. §2008s	Loans to intermediary lenders.	Provides loans to eligible lenders to capitalize revolving loan funds. Lenders issue loans to rural microenterprises (i.e., businesses with 10 or fewer full-time employees) from funds for qualified business expenses.

¹⁴ The USDA *Food Access Research Atlas* is an online tool that indicates if an area is considered low-income and has low supermarket access. See USDA, Economic Research Service, “Go to the Atlas,” at <https://www.ers.usda.gov/data-products/food-access-research-atlas/go-to-the-atlas/>; and USDA, *FY2021 Request for Proposals for the Healthy Food Financing Initiative*, p. 8.

Program	U.S. Code	Funding Mechanism	Program Description
Value-Added Producer Grant Program	7 U.S.C. §1627c(b)	Grants to eligible businesses.	Provides grants to eligible agricultural producers to create new products, expand marketing opportunities, and increase producer income.

Source: Compiled by CRS from agency information, U.S. Code, and the 2023 U.S. Department of Agriculture (USDA) Budget Request Notes for the Rural Business-Cooperative Service (RBCS).

Notes: Many of the USDA credit assistance programs administered by RBCS (above) require that businesses served be located in rural areas. A *rural area* is defined as “any area other than- i) a city or town that has a population of greater than 50,000 inhabitants; and ii) an urbanized area contiguous and adjacent to a city” with a population of greater than 50,000 inhabitants (7 U.S.C. §1991(a)(13)).

Small Business Administration Programs

The SBA administers three loan programs that help small businesses access capital to start, maintain, and expand operations. The programs partner with intermediary lenders who issue loans to small businesses. **Table 2** provides an overview of these programs, including the statutory authority for the programs, funding mechanism, and how the programs support businesses.

SBA programs do not require that the businesses be located in rural areas. Instead, these programs require that the businesses are small businesses, as defined by the SBA. The definition used by the SBA to determine whether a business is a small business depends on the industry the business operates in and is based on the firm’s average annual receipts or the average number of employees.¹⁵ For example, a business in the charter bus industry is considered small and therefore eligible for SBA programs if it has average annual receipts of \$19 million or less. A business in the cookie and cracker manufacturing industry is considered a small business if it has 1,250 or fewer employees.¹⁶

Loans and Loan Guarantees

7(a) Program

The 7(a) Program is the SBA’s primary loan guarantee program.¹⁷ Typically, a prospective borrower will work with a private lender (such as a bank or credit union) to obtain a business loan. If the lender thinks that the business’s plan for the loan is sound but aspects of the application are lacking (such as not having enough collateral to secure the loan), the lender can ask the SBA to guarantee a portion of the loan (typically 50%-90%). The lender must repay the guaranteed loan, which typically has an interest rate similar to those of non-SBA guaranteed loans. SBA-guaranteed 7(a) loans can be up to \$5 million per borrower (in either one or multiple guaranteed loans). In FY2022, the average guaranteed loan was about \$538,900.¹⁸ Proceeds from

¹⁵ See CRS Report R40860, *Small Business Size Standards: A Historical Analysis of Contemporary Issues*, by Robert Jay Dilger, R. Corinne Blackford, and Anthony A. Cilluffo.

¹⁶ The list of Small Business Administration (SBA) size standards by industry is at 13 C.F.R. §121.201.

¹⁷ For more information about 7(a) loans, see CRS Report R41146, *Small Business Administration 7(a) Loan Guaranty Program*, by Robert Jay Dilger and Anthony A. Cilluffo.

¹⁸ SBA, “Weekly Approvals Report with data as of 09/30 for each FY,” at https://www.sba.gov/sites/default/files/2022-10/WebsiteReport_asof_20220930.pdf.

the guaranteed loan can be used for a variety of business purposes, such as constructing buildings and buying supplies.

504/Certified Development Company Loan Program

The 504/Certified Development Company (CDC) Loan Program is another SBA loan guarantee program.¹⁹ To be eligible for this program, an individual project must have three sources of funding: up to 40% from a CDC that is fully guaranteed by the SBA, at least 50% from an unrelated private lender with no SBA guarantee, and at least 10% from the borrower's own funds. The SBA-guaranteed CDC loans must be fully repaid and typically have an interest rate similar to those of non-SBA guaranteed loans. The maximum SBA-guaranteed CDC loan amount depends on the project type. The maximum amount for the SBA-guaranteed CDC portion is \$5 million to each small business (in either one or multiple SBA-guaranteed CDC loans) for standard 504 loans and loans made to advance certain public policy goals. The maximum amount for the SBA-guaranteed CDC portion is \$5.5 million for each project to small manufacturers and for projects to reduce energy consumption or to generate renewable energy or fuels. In FY2022, the average loan was about \$995,000.²⁰ The maximum loan term varies between 10 and 25 years depending on the specific project. The loans are often used to buy land, buildings, or specialized machinery.

Microloan Program

The Microloan Program offers loans of up to \$50,000 made by nonprofit intermediary lenders.²¹ The SBA makes direct loans to Microloan intermediaries, which use those funds to make Microloans to individual small businesses. In FY2021, the average Microloan was about \$16,500.²² Microloan borrowers are required to attend management and technical training as part of their loan terms. Microloan intermediaries can apply for SBA grants for the cost of providing training. Funds can be used for buying materials, furniture, and equipment but not for buying land or property.

Table 2. SBA Credit Assistance Programs

Program	U.S. Code	Funding Mechanism	Program Description
7(a) Loan Program	15 U.S.C. §636(a)	Loan guarantees to intermediary lenders.	Provides loan guarantees of up to 90% of loan amount to eligible lenders to make loans to qualified businesses for business expenses.
504/Community Development Corporation (CDC) Loan Program	15 U.S.C. §696	Loan guarantees to intermediary lenders.	Provides loan guarantees of up to 40% of loan amount for eligible lenders to make loans to qualified businesses for business expenses.

¹⁹ For more about 504 loans, see CRS Report R41184, *Small Business Administration 504/CDC Loan Guaranty Program*, by Robert Jay Dilger and Anthony A. Cilluffo.

²⁰ SBA, "Weekly Approvals Report with data as of 09/30 for each FY," at https://www.sba.gov/sites/default/files/2022-10/WebsiteReport_asof_20220930.pdf.

²¹ For more information about Microloans, see CRS Report R41057, *Small Business Administration Microloan Program*, by Robert Jay Dilger and Anthony A. Cilluffo.

²² SBA, *FY 2023 Congressional Budget Justification and FY 2021 Annual Performance Report*, p. 36, at <https://www.sba.gov/sites/default/files/2022-04/FY%202023%20SBA%20Congressional%20Budget%20Justification-508-2022-0413%20updated.pdf>.

Program	U.S. Code	Funding Mechanism	Program Description
Microloan Program	15 U.S.C. §636(m)	Loans to intermediary lenders.	Provides loans of up to \$50,000 to qualified businesses for business expenses through SBA-approved nonprofit, community-based intermediary lenders.

Source: Compiled by CRS from agency information and U.S. Code.

Other Credit Assistance Programs

EDA and ARC also administer revolving loan fund programs that provide certain rural and non-rural eligible businesses with access to capital. EDA and ARC program guidance requires grantees (i.e., intermediary lenders) to submit revolving loan fund management plans to describe how the revolving loan fund will address economic development goals and how the grantee will administer the revolving loan fund throughout its lifecycle, among other matters. EDA and ARC grantees are also required to provide nonfederal matching funds to the revolving loan fund project.

Economic Development Administration

EDA funding supports approximately 500 revolving loan fund programs across the 50 states, District of Columbia, Puerto Rico, Indian tribes, and U.S. territories. Through its Economic Adjustment Assistance program, EDA makes grants to eligible recipients (i.e., intermediary lenders) so that they may capitalize revolving loan funds. Eligible recipients include Indian tribes; states, counties, cities, or other political subdivisions of a state, including special purpose units of state or local government; EDA-designated economic development districts (EDDs);²³ institutions of higher education; and nonprofit organizations. The eligible recipients generally make loans to businesses for expansion, startup, or operating expenses. The loans are designed to meet the capital needs of businesses that cannot otherwise obtain traditional financing. The loans may also help businesses grow and create and maintain jobs. Eligible recipients and revolving loan fund borrowers (i.e., businesses) may be located in both rural and non-rural areas. Revolving loan fund grant awards range from \$50,000 to \$2 million.²⁴ The eligible recipient determines the interest rate of the loan subject to EDA's minimum requirements, which are outlined in EDA regulations.²⁵ EDA provides an online, searchable directory of revolving loan fund programs by state.²⁶

²³ For information about Economic Development Administration- (EDA-) designated economic development districts, see EDA, "Economic Development Districts," at <https://eda.gov/edd>.

²⁴ EDA, "Revolving Loan Fund (RLF) Program Fact Sheet," at <https://www.eda.gov/rlf>.

²⁵ 13 C.F.R. §307.15(b).

²⁶ For a directory of EDA-funded revolving loan funds, see EDA, "Revolving Loan Fund (RLF)," at <https://www.eda.gov/rlf>. Interested grant applicants are encouraged to contact economic development districts (<https://eda.gov/edd>) or state or regional EDA representatives (<https://www.eda.gov/contact>).

Appalachian Regional Commission

ARC grants support approximately 46 revolving loan fund programs across the Appalachian Region.²⁷ Eligible grantees (i.e., intermediary lenders) may use ARC’s grant programs to capitalize revolving loan funds. Similar to the EDA’s Economic Adjustment Assistance grant program, the ARC Area Development grant program may be used to capitalize revolving loan funds and is designed to facilitate economic development objectives, such as the creation and retention of private sector jobs. Eligible borrowers include private for-profit firms that do business within the Appalachian Region, nonprofit organizations, and government entities. Borrowers can use loan funds to pay for machinery, equipment, new construction, repair of existing facilities, land acquisition, acquisition of an existing business, refinancing of existing debt, and other expenses.²⁸ The revolving loan fund grantees (i.e., intermediary lenders) may determine loan terms and interest rates subject to ARC’s requirements, which are outlined in ARC revolving loan fund grant guidance.²⁹

Grantees may design loan terms to assist businesses with credit problems. According to ARC’s revolving loan fund program guidance, this option allows for loans that “may involve greater risks and more lenient terms than commercial lenders may provide.” Eligible grantees include states, local development districts (LDDs),³⁰ and other nonprofit multicounty organizations.³¹

Table 3. Selected EDA and ARC Grant and Credit Assistance Programs

Program	U.S. Code	Funding Mechanism	Program Description
Appalachian Regional Commission (ARC), Area Development Program (for business development revolving loan fund grants)	40 U.S.C. §§14101-14704	Grants to intermediary lenders.	Provides grants to eligible entities to capitalize or recapitalize revolving loan funds. Most revolving loan funds make general business loans focused on creating and retaining jobs.
Economic Development Administration (EDA) Economic Adjustment Assistance Program (for revolving loan fund grants)	42 U.S.C. §3149	Grants to intermediary lenders.	Provides grants to eligible entities to capitalize or recapitalize revolving loan funds. Most revolving loan funds make general business loans focused on creating and retaining jobs.

²⁷ The Appalachian Region is statutorily defined as 423 counties in Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia (40 U.S.C. §14102(a)(1)).

²⁸ The Appalachian Regional Commission (ARC) is statutorily obligated to designate counties according to levels of economic distress each year. Loans using ARC revolving loan fund (RLF) sources may not be made in ARC-designated attainment counties, which are designated as the best performing counties according to the ARC’s county designations. See 40 U.S.C. §14526; and ARC, *ARC Business Development Revolving Loan Fund Grant Guidelines*, at <https://www.arc.gov/wp-content/uploads/2020/07/RLF-Guidelines-2020.pdf> (hereinafter ARC RLF Grant Guidelines).

²⁹ ARC RLF Grant Guidelines, p. 7.

³⁰ For more information about ARC’s local development districts, see ARC, “Local Development District,” at <https://www.arc.gov/local-development-districts/>.

³¹ See ARC RLF Grant Guidelines. Interested grant applicants can contact state program managers that are based in state economic development agencies. For state program manager contact information, see ARC, “State Program Managers,” at https://www.arc.gov/state_partner_role/state-program-manager/.

Source: Compiled by CRS from agency information and other sources, including 2 U.S.C. §661a(1) as noted in CRS Report R44193, *Federal Credit Programs: Comparing Fair Value and the Federal Credit Reform Act (FCRA)*, by Raj Gnanarajah; and Economic Development Administration (EDA) “Revolving Loan Fund (RLF) Program Fact Sheet” at <https://www.eda.gov/rlf>.

Notes: This table is not intended to be comprehensive. EDA is under the U.S. Department of Commerce.

Considerations for Congress

Federal Role in Rural Business Credit Assistance

The federal government’s role in providing credit assistance to rural businesses remains a topic of debate. Some stakeholders suggest a reduced federal role in providing credit assistance and instead recommend federal activity that would focus on building the capacity of local banks to meet rural business needs. Stakeholders that advocate for an enhanced federal role in providing credit to underserved and unserved markets may advocate for increasing the level of credit assistance provided to businesses through federal programs. Congress may be interested in examining whether federal credit assistance programs impact the amount or volume of loans provided to rural businesses by traditional lenders and how rural businesses access capital from federally supported lending programs compared with traditional lenders in rural areas and other types of communities.

Farm Bill

Congress may consider a range of options related to USDA credit assistance programs through the next farm bill (or other legislation). These may include amending the credit limits of USDA credit assistance programs for rural businesses, creating new USDA programs that provide grants to rural businesses, adjusting eligibility or other specifics of credit assistance programs, or eliminating existing programs. In the past, Congress has used the rural development title of farm bills to amend, create new, eliminate, and provide authorization for USDA Rural Development programs that support rural businesses.³² For example, in the most recent farm bill, the Agriculture Improvement Act of 2018 (P.L. 115-334), Congress amended the USDA Intermediary Relending Program by limiting the maximum amount of loans made by intermediary lenders.

Congress may explore whether to adjust the loan limits of the current USDA credit assistance programs in part to assess if assistance is in line with the current costs of starting businesses and expanding businesses in rural areas. Congress may also explore establishing new USDA programs that offer grants rather than loans to rural businesses. One drawback to Congress creating new grant programs for rural businesses is that some stakeholders may suggest that Congress would be unfairly helping certain rural businesses over other businesses. In addition, Congress may decide to limit or eliminate these programs.

Management and Business Technical Assistance

Some USDA, SBA, EDA, and ARC programs fund technical assistance to help improve the utilization of their lending programs, particularly for business owners who may not otherwise have the skills to apply for or manage their loans. Congress may be interested in reviewing the management and technical assistance services provided to rural business owners who become

³² See CRS In Focus IF12038, *Farm Bill Primer: Rural Development Title*, by Lisa S. Benson.

borrowers through federally supported credit assistance programs. Some research suggests that management and technical assistance services complement business lending activities and that these services may contribute to improved business outcomes, such as business survival and growth.³³ Many federal grantees currently provide such services in concert with business lending programs. Congress may seek to evaluate the role and impact of such services and whether there may be a benefit from expanding or changing technical assistance services to accompany loans to rural businesses. Congress also may review whether there is duplication within existing business technical assistance programs and the types of technical assistance needed by various types of businesses and geographic areas.

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³³ A study on the impact of technical assistance services indicated that the benefits to businesses may depend on the size of the firm and other factors. See George T. Solomon et al., "Survival of the Fittest: Technical Assistance, Survival, and Growth of Small Businesses and Implications for Public Policy," *Technovation*, vol. 33 (August 2013), pp. 292-301.