

# THE CDFI-FARMER OF COLOR CAPITAL ACCESS NATIONAL PROJECT



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## » EXECUTIVE SUMMARY

Between October 2014 and September 2015, three Community Development Financial Institutions (CDFIs) helped shape a national project whose goal is to increase capital access among farmers of color (FOCs). This national project, seeded with W.K. Kellogg Foundation Food and Community funds through the Michigan State University Center for Regional Food Systems (MSU CRFS), is using a community of learning approach to test out capital access strategies. California FarmLink, the Natural Capital Investment Fund (NCIF), and Shreveport Federal Credit Union (SFCU), all currently lending to farmers of color, agreed to learn from one another as they pursue outreach strategies, partnership enhancement, and lending strategies with the goal of improving both organizational capacity and farmer of color relationships. Participating CDFIs learned how their capacity to create capital access, the farmers they serve, and the influence of race, culture, and ethnicity coupled with commensurate, established lending practices factor into building and maintaining lending relationships among farmers of color in their lending footprint.

### FRAMING THE PROJECT

The CDFI-FOC project is a purposeful learning approach to tackling challenges while evaluating efforts to create capital accessibility among farmers of color. Participating CDFIs consider the year-long project a valuable exploration of outreach and lending practices that has implications for peer CDFIs and other national lenders, such as the USDA Farm Service Agency, as well as farmer of color networks,<sup>1</sup> technical assistance partners, and other agricultural advocates. This report is written to acquaint the reader with barriers to financing farmer of color agricultural enterprises and to capture the experiences of three CDFIs committed to learning more about, and lending to, farmers of color in their regions.

## » PROJECT OVERVIEW

### BACKGROUND

On April 23, 2014, a seminal event occurred in the Senate Agriculture Committee Hearing Room in Washington, D.C. between farm and financing advocates pursuing access and fairness in the U.S. farm financing system. Hosted by MSU CRFS, farmer of color network leaders and CDFIs sat together for a full day with one intention: to pursue common ground and explore ways to better support farmers of color with financial products and services.<sup>2</sup> CDFIs explored options such as culturally appropriate educational programs, expanding partnerships with other farm-based advocates, and piloting loan products as potential avenues to move capital toward farmer of color enterprises.

Consensus was reached among farmer of color network representatives and CDFIs to continue building relationships, to help one another fill gaps in knowledge and outreach, and to create tangible opportunities for farmers of color and lenders. Meeting participants agreed that a commitment to creating and improving access to resources should underpin their mutually beneficial objectives. Strategies to increase the availability of financial capital to farmers of color were

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<sup>1</sup> *Farmer of color network* is the term used to describe organized groups representing farmers of color at the Washington, D.C., meeting described in the Background section.

<sup>2</sup> California FarmLink, Natural Capital Investment Fund, and Shreveport Federal Credit Union

subsequently discussed among three CDFIs attending the national meeting.<sup>3</sup> The shared approach taken included the provision of information, outreach, training, and technical assistance, and the exploration of capital deployment strategies to farmers of color. At the request of the CDFIs, MSU CRFS offered a supportive role to test out these recommended tactics, which were intended to expand knowledge about and the use of successful lender outreach strategies that lead to increased financial capital access among farmers of color.

### **PROJECT APPROACH: CDFI LEARNING COMMUNITY PRACTICES AND REFLECTION**

The three CDFIs, based in North Carolina, Louisiana and California, proposed a “learning community” among lender practitioners to enable testing out capital access strategies. These strategies might demonstrate promise for building lender capacity as well as relationships with farmer of color borrowers. Project CDFIs established the following learning community components:

#### **Learning Based Field Visit**

The three CDFIs attended a two-day face-to-face meeting to share ideas and metrics and to develop draft work plans, co-learning objectives, and a structure for sharing information over the course of the year. The meeting was held at Mandela Marketplace in Oakland, California, a retail and distribution partner for Latino farmers working with California FarmLink. CDFIs shared feedback on key elements of their agricultural lending activity, discussed lending practices, and began to formulate and adapt strategies to deploy more capital to farmers of color.

#### **Site-Based Work Plans**

Each group developed a plan to test outreach, technical assistance, and lending options by deepening their knowledge of agricultural lending and the social, cultural, and financial experiences of farmers of color in their regions.

#### **Inter-CDFI Collaboration**

CDFIs shared lending processes, documentation, and current outreach practices and provided feedback on one another’s materials and marketing strategies.

#### **Monthly Topic-Driven Conference Calls**

Driven by advance agenda planning, conference calls took place between January and September 2015. For each call, at least one CDFI would prepare a presentation about its own practice, followed by Q&A and discussion. Topics ranged from walking through a loan application process to challenges and barriers influencing a practice. Notes were shared, reviewed, and factored into the upcoming month’s agenda.

#### **Organizational Reflection Through Case Studies**

At the end of the year, each CDFI prepared a case study describing conditions and barriers for farmers of color in its own region, practices and procedures tested during the year to improve capital access to farmers of color, lessons learned from this work and challenges encountered in implementing new practices, and implications for other CDFIs and organizations seeking to improve capital access for farmers of color.

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<sup>3</sup> California FarmLink, Natural Capital Investment Fund, and Shreveport Federal Credit Union

## ➤ COMPELLING OPPORTUNITIES AND NEEDS

Table 1, below, provides a synopsis of considerations influencing CDFI commitment to test out capital access strategies among farmers of color in their regions. The sections that follow provide more detail about the general themes and insights highlighted in the table.

**Table 1: Project Overview: Compelling Rationale, Barriers, Stage of Enterprise, and Learnings**

Overarching Themes	Common Experiences/Insights
Historical Context	<ul style="list-style-type: none"> <li>• Institutional racism</li> <li>• Cultural and historical relationship to land</li> </ul>
Systemic Barriers	<ul style="list-style-type: none"> <li>• Triple-whammy:               <ul style="list-style-type: none"> <li>○ Agriculture is inherently risky</li> <li>○ Small business is inherently risky</li> <li>○ Lenders are risk-averse</li> </ul> </li> <li>• Conventional credit market is designed to minimize risk and thus often excludes farmers of color</li> </ul>
Business Stage/ Developmental Obstacles	Many FOC are either <ul style="list-style-type: none"> <li>• In start-up mode</li> <li>• Operating in informal economy</li> </ul>
Need	Capital access pathways that <ul style="list-style-type: none"> <li>• Are culturally appropriate and respectful</li> <li>• Are designed to acknowledge <i>and</i> mitigate systemic barriers</li> <li>• Meet borrowers where they are in terms of business stage/development <i>and</i> provide tools to advance along developmental continuum</li> </ul>
Key Take-Away	<ul style="list-style-type: none"> <li>• Loan application process should be used as a learning process for lenders</li> <li>• Technical assistance is critical to supporting “readiness to borrow”</li> </ul>

### FARMERS OF COLOR: DEMOGRAPHICS AND CHALLENGES IN THREE STATES

#### California

In 2013, California’s 78,000 farms and ranches received \$46 billion for their output. Large populations of immigrants from Mexico and Central America make up California’s agricultural work force. These skilled agricultural workers are increasingly looking to operate their own farm businesses to increase income. California crops are typically high-value and capital-intensive, yet there are few sources of small loans available to low-income and beginning farmers. Sixty-four percent of FarmLink borrowers grow strawberries, which typically require \$12,000 per acre in up-front operating costs, starting in October when they are planted. By the end of the season, per-acre costs reach \$20,000 to \$25,000.

The 2012 Census of Agriculture shows that the number of California farms overall decreased by 3.9% from 2007 to 2012, while the number of Latino-operated farms grew by 8%. In 2012, while Latinos operated only 3% of farms nationwide; 9,815 Latino farmers operated 12% of California farms. Since 2011, 79% of FarmLink’s loans have been to Latino farmers, and 39% of borrowers were formerly employed as field workers or in food processing plants at subsistence wages and turned to self-employment in agriculture to increase their income. These farmers lack access to business capital, educational resources, equipment, and management services, and they are the least likely group to access USDA programs.

There are often high rates of poverty and unemployment and large numbers of Latinos living in the areas where FarmLink’s lending and technical assistance takes place. For example, FarmLink’s biggest lending county is Monterey County, where unemployment peaked at 15.3% in January 2013 and had reduced slightly, to 13.3%, by January 2014.

University of California, Santa Cruz, Professor and Chair of Economics Rob Fairlie has shown that immigrant-owned businesses are prodigious job creators, yet new Latino-owned businesses lack access to capital. Latino farmers in California often rely on their extended families to provide labor, intellectual capital, and general support. The investment of sweat equity and capital by these farmers spreads benefits to this larger community. These farmers typically market their production locally and buy supplies from local businesses, recirculating dollars in the community and creating jobs and economic self-sufficiency for their extended families.

### **North Carolina**

North Carolina derives much of its economic wealth from the agricultural industry, ranking seventh nationally in farm profits with a net farm income of more than \$3.3 billion. Yet agricultural revenues disproportionately accrue to White farmers; socially disadvantaged farmers, particularly newer farmers of color, face obstacles that prevent them from achieving equitable levels of success. Statewide, African American–operated farms average only 93 acres, compared to 171 acres for White-operated farms. Smaller farms have more difficulty accessing markets, which affects the livelihoods of African American farmers. This is borne out by the fact that the market value of agricultural products sold by North Carolina’s African American–owned farms averages only \$60,717, compared to \$202,115 for Whites. Government payments received by African Americans also lag behind those received by White farmers—an average of \$4,661 vs. \$8,602 for Whites. Farmers of color in North Carolina and the southeastern U.S. are, therefore, more likely to be under-resourced and to generate significantly less revenue. In addition, there are many social and economic barriers in the region that hinder access to information, programs, funding, and other resources that are readily available to other farmers.

Traditionally, farmers of color have lagged behind their White counterparts in gaining access to state and federal programs, resources, and financing that could improve the financial strength and overall viability of their farming operations. The reasons for this are varied and complex, ranging from a history of discrimination and institutional racism to a lack of access to information and support with complex processes and applications.

Memories of historical racism by governmental entities are still the topic of conversation among African American farmers. The trauma many farmers of color faced fosters distrust and skepticism in governmental schemes, discouraging participation. Although strides have been made, particularly since the Pigford v. Glickman settlement, much remains to be done to build trust between the USDA and communities of color.

### **Louisiana/Mississippi**

The northeastern part of Mississippi—some 7,000 square miles of flat, fertile farmland formed by the Mississippi and Yazoo rivers’ flood plain—is known as the Mississippi Delta. The region was originally covered in hardwood forest across the bottomlands. The Delta developed as one of the richest cotton-growing areas in the nation before the American Civil War (1861–1865). The region attracted many speculators who developed land along the riverfronts for cotton plantations. As the riverfront areas were developed and railroads were slow to be constructed, even after the Civil War most of the bottomlands in the Delta were undeveloped. By the end of the 19th century, Black farmers made up two-thirds of the independent farmers in the Mississippi Delta.<sup>4</sup> In 1890, the White-dominated state legislature passed a new state constitution effectively disenfranchising most Blacks in the state. In the next three decades, most Blacks lost their lands due to tight credit and political oppression.<sup>5</sup> They had to resort to sharecropping and tenant farming to survive. By the end of the century, two-thirds of the independent farmers in the Mississippi Delta were Black. But the extended low price of cotton had caused many to go deeply into debt and, gradually, sell off their lands. Black farmers had a harder time getting

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<sup>4</sup> J. C. Willis. (2000). *Forgotten time: The Yazoo-Mississippi Delta after the Civil War*. Charlottesville, VA: University of Virginia Press.

<sup>5</sup> Willis (2000).

credit than did White farmers, according to substantiated claims filed in 1997 by six Black farmers (including two from the Mississippi Delta) against the USDA for racial discrimination in denying Black farmers access to federal farm operating loans, disaster payments, and other support that the agency is mandated by law to provide to low-income farmers. Approximately 25,000 Black farmers filed claims under the class-action lawsuit *Pigford v. Glickman*.<sup>6</sup>

According to 2012 U.S. Agriculture Census data, nearly 13% of the 38,076 farms in Mississippi have 50% or more Black or African American ownership.<sup>7</sup> The eroding African American–owned land base requires urgent attention. SFCU believes it can help farmers of color retain ownership of land where other capital access programs have failed.

SFCU currently provides loans and technical assistance services to 60 African American farmers who belong to one of six farmer cooperatives consisting of 213 members in the Mississippi Delta region.

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<sup>6</sup> <http://www.yesmagazine.org/issues/reclaiming-the-commons/second-chance-for-black-farmers>

<sup>7</sup> 2012 Ag Census about MS

## TESTING OUT IDEAS

Table 2 provides a thumbnail sketch of each CDFI's regional experience, from history of inequality to tools tested, toward which strategies to overcome barriers to lending were targeted. The following section describes each CDFI's experience in more detail.

**Table 2: Summary of Each CDFI's Regional Project Experience**

	<b>California FarmLink</b>	<b>NCIF</b>	<b>SFCU</b>
<b>Regional/ Cultural Context</b>	<p>Many Latino farmers formerly subsistence-wage field workers who are now business owners</p> <p>Latino farmers' access to capital hindered by abusive lending practices of marketing organizations that provide land, financing, and a single market outlet</p>	<p>Historic discrimination and institutional racism faced by African American farmers</p> <p>Eroding African American-owned land base</p> <p>Disparities among African American and White farmers:</p> <ul style="list-style-type: none"> <li>• Income</li> <li>• Access to ag program benefits</li> </ul>	<p>Historic discrimination and institutional racism faced by African American farmers</p> <p>Eroding African American-owned land base</p> <p>Disparities among African American and White farmers:</p> <ul style="list-style-type: none"> <li>• Income</li> <li>• Access to ag program benefits</li> </ul>
<b>Site-Specific Learning</b>	<p>Lack of financial literacy a barrier to FOCs being able to access capital for their businesses</p> <p>FOCs targeted by predatory lenders and often seek assistance in getting out from under predatory loans</p> <p>Lack of technical assistance and loan packaging support accessible to FOCs</p>	<p>Conservation practices funded by NRCS are important but don't necessarily increase cash flow that could be used to service debt</p> <p>FOCs with good credit may resist traditional underwriting efforts as unnecessary "hoops"</p> <p>Increasing use and acceptance of crop and other insurance programs among African American farmers is important</p>	<p>Building trust and establishing relationships with African American farmers is key to increasing their access to capital</p> <p>Industry-specific knowledge developed as part of this project will help address regulator concerns</p>
<b>Capacity Built</b>	<p>Application and underwriting process that fully integrates technical assistance, which can often make a loan approval possible</p>	<p>Better understanding of NRCS-funded conservation practices and how these practices can be financed and implemented</p>	<p>Holistic approach that emphasizes long-term goals and interim steps with practical benefits; leveraging support network of partner organizations</p>
<b>Tools Tested</b>	<p>Business Health Assessment, Technical Assistance Plan</p>	<p>Simplified loan application and process to provide bridge financing for NRCS EQIP grants</p>	<p>Farmer of color survey and intake interview template</p>



## CREATING THE PROJECT WORK PLANS

Taking into consideration the compelling opportunity and need, CDFIs composed and presented their site project work plans to one another during the field visit in Oakland, California. CDFIs revised the work plans and again presented them to one another the following month. However, the plans were a work in progress throughout the project. The following is an overview of each proposed goal and plan for accomplishing that goal.

### California FarmLink

FarmLink's goal is to streamline the loan intake process by testing an assessment tool that determines stage and scale of businesses among Latino farmers in California's Central Valley region. The focus was the application process currently in the development stage. FarmLink would pilot and finalize a template among potential Latino borrowers. Stages included creating a first draft of the inquiry form, meeting with borrowers, using feedback to revise the inquiry form, and ensuring that changes are incorporated throughout the borrowing/decision-making system. A consultant was hired to help with portfolio quality metrics, review the loan portfolio, and suggest how to present it to the outside world. Success indicators included an improvement of FarmLink's portfolio representation (demographics), loan volume, and performance.

### Natural Capital Investment Fund

NCIF's overall goal was to help farmers of color grow farm income and increase their financial stability. It proposed expanding its lending to farmers of color interested in availing themselves of Natural Resources Conservation Service (NRCS) EQIP cost share grants, particularly those for seasonal extension hoop houses. Since NRCS grants are reimbursable, the farmer must complete the work before receiving payment from NRCS. Having identified a need for bridge loans to limited-resource farmers lacking the up-front capital needed to complete the project, NCIF would create a specialized loan application for these bridge loans. It would modify its loan application to make the underwriting process more interactive and focused, streamline the repayment process, and connect applicants with technical assistance providers. The overall strategy was to reduce the time and risk associated with these transactions so that NCIF could offer a lower interest rate. Success indicators included the number of farmers reached, upgraded loan documentation, and longer-term indicators that included changes in farmer income and loans repaid.

### Shreveport Federal Credit Union

SFCU took the lead in development of a 30,000 sq. ft. regional fresh/retail market as a venue for Mississippi Delta farmer cooperative members. SFCU CEO Helen Godfrey-Smith made purposeful farm visits to learn more about farming and earn trust from Mississippi Delta farm proprietors. An intake form was tested and revamped as a means to obtain financial information from farmers. A working partnership was developed with Alcorn State University, and a relationship with a regional produce processing plant was built to help move produce from fresh to package (fresh frozen) for sale. A savings tool (cash to savings) as well as fast-track savings-to-loan tools were piloted with farmers to accommodate the economic cycle of farming. Success indicators included farmers' willingness to participate in farm financial information collection and farmer loans.

## ADDRESSING BARRIERS TO CAPITAL ACCESS

Each CDFI tackled acknowledged barriers through common practices: building relationships, testing out an application process, and trying out financing options. So, how do these approaches differ from existing practices among financial institutions creating a borrower market? Each CDFI understood that the road to creating capital accessibility meant that understanding the historical cultural and social-psychological aspects of the current racialized environment in its area of the country was part of the process. Capital accessibility is shaped by culture and historic lender treatment that now influences relationship building regionally.

CDFIs approached farmers of color in their own communities, then discussed those interactions among their project peers. What seemed reassuring to each CDFI was the commonality of receptivity among farmers of color to an individualized

approach, given the differences in ethnicity, culture, and degree of inequality based on race and culture. Other common insights were shared:

- Race and class play a role in wealth disparity and therefore influence lending decisions. Lender decision-making benchmarks can act as a barrier to a farmer of color getting a deserved loan.
- The loan application process can be used as a learning tool for lenders.
- Technical assistance is a critical component of borrower “readiness to borrow.”
- Internal/organizational assessment is an ongoing process to determine which services are needed and offered by whom.
- Effective capital packaging is a result of familiarization with the farmer enterprise.

The common challenges of race and ethnicity enabled CDFIs to share strategies to combat those challenges. Regional historical experiences played a role, however, in how CDFIs approached farmers of color at a local level, and these experiences influenced insights throughout the project. Discoveries unique to farmers affected by regional social and economic environments are listed below.

### California FarmLink

- An important pathway to farm business ownership for Latino farmers in coastal California has been growing strawberries, typically relying on marketing organizations (also known as shippers or brokers) who serve as intermediaries and provide access to land, financing, and markets. Some farmers who work with these entities have suffered from their abusive lending practices and are usually restricted from selling to other buyers, thus locking the farmers into a cycle of debt that is hard to break out of. Unscrupulous shippers have taken advantage of these growers—for example, by having monolingual Spanish-speaking growers sign contracts in English—and there have been decades of lawsuits and struggles in California to prevent it. Growers usually last two or three years before going broke, but there is always a new immigrant waiting to fill the role. Many of FarmLink’s clients are trying to get away from these contract relationships and gain independence and self-sufficiency.

Lack of financial literacy is a barrier to Latino farmers being able to access capital for their businesses. Businesses are often developed in spite of these deficiencies. The technical assistance that FarmLink provides as part of the lending process can help overcome these barriers but is often insufficient on its own. Referrals to other technical assistance and support service providers are a critical component of capital access for FOCs.

FarmLink began its lending program with a focus on microloans and has slowly grown to add small business loans up to \$250,000 to its loan product offerings. Many of the FOCs that have benefited from FarmLink loans in the past, as well as others who have developed their businesses over the past decade or so, are now in a position to purchase land if they can obtain financing. The land loan product FarmLink launched during the project period is poised to have an important impact on land tenure for FOCs in California.

### Natural Capital Investment Fund

- It’s important not to define the purview of an initiative too tightly. Our initial focus on recipients of NRCS EQIP grants for hoop houses was too narrow, since other conservation-oriented projects may be more useful in boosting

farm income and stability. At the same time, widening the scope of the initiative increased its complexity and made it harder to simplify the lending process (and reduce risk and the interest rate).

- Black farmers, particularly those with limited resources and business borrowing expertise, may resist traditional underwriting efforts, especially the need to review farm financial information, which they may see as unnecessary “hoops” to jump through. Other essential business service providers, such as insurance agents, may be viewed as necessary evils rather than important advisors.
- Partnering with government (or nonprofit) agencies requires a concerted effort to understand the parameters of the agencies’ programs and responsibilities. Agency staff members can be extremely helpful in completing paperwork and can be excellent referral sources. At the same time, lender and agency due diligence requirements can differ greatly, as can the organizations’ respective risk tolerance. Working successfully together requires mutual education and patience.

### Shreveport Federal Credit Union

- Building a financial history with the farmers moves them from cash transactors to credit union “owners.” Tools created that will be used in the future include a farmer of color survey and an intake interview template.
- Capital packaging treats each farmer as an individual business owner. SFCU does projections based on record keeping initiated, including microloans and lines of credit. One of the toughest elements in determining ability to repay a loan is documenting the source of farmer’s income. One tool offered to farmers is a form that helps maintain a record of daily income from the market, estimates cost of production, and demonstrates net versus gross income. Once income is documented, incentives influence cash to savings. Cash flow is estimated over 5 months instead of a traditional review at 18 months.
- The economics of farming depend on access to markets and capital. SFCU will engage local governments in discussions to encourage “buy local,” farm to table, joint marketing efforts to support local farmers. The recently established Delta Regional Market Cooperative can offer farmers a venue for product aggregation for retail markets. This is an economic development scenario.
- Communicating with credit union regulators will improve. “Walking the farms” enabled SFCU to increase enterprise knowledge. This knowledge will serve as the foundation for discussions with credit union regulators regarding capital packaging.

### CDFI ENHANCED CAPACITY TO SERVE FARMERS OF COLOR

- California FarmLink took partner lead in submitting a USDA Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers (OASDFR) proposal.
- NCIF participated in a two-day equity, diversity, and inclusion convening held by The Conservation Fund, its parent organization. NCIF recognized the need to formalize assistance from partners with expertise related to minority farmers and created an Advisory Group for its Minority Farmer Support Initiative. The organization also submitted proposals to foundations to fund the hiring of a lender of color to serve Eastern North Carolina, where the majority of farmers of color operate.
- SFCU developed the 30,000 sq. ft. Mississippi Delta Cooperative Market, a venue for sales of more diverse smaller-scale crops, accessed by 60 farmers in the Mississippi Delta. The market could serve as a venue for crop

aggregation and sales to retail stores.

### SPECIFIC ASSESSMENT AND FINANCING OPTION TOOLS TESTED

- The project enabled California FarmLink to develop a Business Health Assessment to guide dialogue with applicants. In addition to the Assessment, the following educational resources are being developed: Loan Process Description, Prescreening Form, new Loan Application, Crop Plan Form, Site Visit Checklist, Financial Statement Module, Farm Business Cash Flow, Technical Assistance Plan, and Financing Your Farm—Types of Credit. These forms and tools are currently being piloted and improved to better manage the flow of information during the application process and to address barriers such as limited financial literacy and business management knowledge. The refinement process ensures that questions are framed in ways that are readily understood and that result in both the lender and the applicant having a clear understanding of business health as well as the appropriate loan products and a defined Technical Assistance Plan.
- One of the tools SFCU offered to farmers is a daily data collection form used to assess cost of production, sales, and project cash flow. This first-of-its-kind form was introduced to farmers after SFCU CEO Helen Godfrey-Smith “walked the farms” to build relationships. On the financial side, perfecting loan security by obtaining collateral is not always necessary. If equipment is used for collateral, however, assessed farm equipment value is incorporated into risk management scenarios. Because collateral is a challenge and land will not be used for collateral, SFCU introduced a hybrid of an existing savings program called The 52-Week Challenge, a credit union–incentivized savings program offering members an opportunity to take a stepping-stone approach to saving. The goal is to help people change frequent cash transaction habits, moving toward a savings habit that eventuates their own line of credit.

## ► SUMMARY

Through the Financing Farmers of Color Project, California FarmLink, NCIF, and SFCU shared information on lending practices and developed their capacity to scale up lending to farmers of color. With in-person meetings and regular phone calls, the organizations shared models and program goals, identified areas of improvement, and shared feedback. The groups developed goals, strategies, and work plans to guide implementation and began working to improve best practices and processes for communication, loan inquiries and underwriting, approaches to providing technical assistance to loan applicants and clients, and development of new loan products tailored for farmers of color. This project helped build the expertise and network to facilitate access to capital for farmers of color. As a result of the progress made with the support of the CDFI learning community, the organizations have begun to strengthen and expand their lending to farmers of color.

Through in-depth, topic-driven monthly learning exchanges, CDFIs were encouraged by the realization that, regardless of regional contexts, common challenges to lending exist. However, structural racism presents farmers of color a formidable burden, and the regional context and experience influences the extent to which available capital reaches those farmers.

Overall, CDFIs agreed that changing protocols for lending requires lenders to actually make a commitment to lending to farmers of color. Focusing on minimizing loan repayment risk may satisfy funder concerns; however, there is no tried-and-true rule that governs decision making with smaller-scale, minority-owned farms. Building the lender–farmer of color relationship is an imperative first step. However, even if personal trust is gained, this does not guarantee that farmers are able or willing to part with a learned distrust of capital sources, especially government-backed loans or insurances.

If the mutual goal is to increase capital access to historically denied borrowers, partnering with government entities may force CDFIs to adopt prohibitive fund-related restrictions unless there is buy-in to review punitive practices. The Financing Farmers of Color Project demonstrated an immediate value in strengthening approaches to CDFI lending and enterprise capitalization. Nonetheless, pilot CDFIs refrained from recommending a shift in lending practices across the industry. Credit union CDFIs may have an edge in that they are a membership cooperative and can tailor loans to sought-after borrowers.

Measuring success is always a requirement for certified CDFIs. All three partners produce annual reporting for the Department of Treasury CDFI Fund on loan program operations, from loan packaging assistance to maintaining client relationships and farm business and financial data. Loan program investors also require rigorous impact reporting, which supports partners' abilities to track tangible impacts and outcomes. Yet the quality hardest to measure has the greatest implications for making a difference in the lives of farmers of color: making inroads to develop trust among farmers classified by USDA as "socially disadvantaged." There are many reasons for the road that led to this distinction among farmers in the U.S. CDFIs working toward meeting their mission of sound lending to borrowers in their footprint are aware of who is being affected; farmers, particularly Black farmers in the South, are facing either selling the land their grandparents, great-grandparents, and other ancestors struggled so hard to obtain or acquiring land to farm smaller-scale acreage and compete with more established farmers.

During the next year of the Financing Farmers of Color Project, plans to disseminate the results of work conducted over the past year and to expand the learning community are moving forward. This will start at the Opportunity Finance Network annual conference in November 2015 in Detroit, Michigan, where California FarmLink, NCIF, and SFCU CEOs will conduct a workshop to share project results and promote opportunities for advancing the goal of expanding access to capital for farmers of color. Continuums of lending products that build on the borrowing experience of farmers of color and that explore the applicability of traditional agricultural lending practices and underwriting guidelines for farmers of color are also being discussed among project partners. On-going discussions with USDA officials that continue the progress made in their efforts to create accessible capital to farmers of color are planned.

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