

October 31, 2012

The Honorable Robert Brady
U.S. House of Representatives
Washington, DC 20515

Dear Representative Brady:

Administrator Mills has asked me to respond to your correspondence providing support for changes to the policies of the U.S. Small Business Administration (SBA) regarding food cooperatives.

As you know, consumer cooperatives, such as food cooperatives, are currently not eligible for SBA financial assistance due to a longstanding regulatory prohibition. At present, the Agency continues to believe that a change to the regulations would be necessary for food cooperatives to be considered eligible for SBA financial assistance. The Agency intends to explore this avenue and will keep you informed of our progress.

We recognize that the cooperative industry has changed significantly since the inception of SBA lending policies, and are working to gain a better understanding of today's cooperative models. As a part of this ongoing effort, I recently met with members of the National Cooperative Business Association regarding the eligibility of food cooperatives. We had a very informative discussion about the formation and operation of modern food cooperatives, and received helpful follow-up documents on the typical tax and corporate structures of food cooperatives. We now understand that the food cooperative model has evolved to the point where many of today's food cooperatives may function essentially as small businesses.

SBA's efforts to better understand today's cooperative models led to a recent clarification of policies on agricultural marketing cooperative and worker cooperative eligibility. These types of cooperatives had often been erroneously excluded from SBA programs in the past. SBA policies now state that agricultural marketing cooperatives and worker cooperatives are eligible as long as they meet all other SBA loan program requirements.

We recognize the important contribution that for-profit cooperatives, including many food cooperatives, make to the U.S. economy. SBA appreciates the support from you and other Members on behalf of food cooperatives. A similar letter has been sent to Representatives Kind, Lewis, McGovern, Higgins, Blumenauer, Fattah, Grijalva, McCollum, Chu, Peters, Moran, Michaud, McDermott, Brown, Keating, Holt, Clarke, Ellison, Schwartz, Richmond, Walz, Lynch, Welch, and Moore.

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We appreciate your support of the SBA and the commitment to America's small businesses. If you and your staff have any questions, please contact the SBA Office of Congressional and Legislative Affairs at (202) 205-6700.

Sincerely,

Jeanne A. Hult
Associate Administrator
Office of Capital Access