Testimony of Betsy Biemann, Chief Executive Officer
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Chairman Johnson, Ranking Member Davis and Members of the Subcommittee, thank you for the opportunity to testify before you today.

My name is Betsy Biemann and I am the CEO of Coastal Enterprises, Inc. (or CEI). CEI is 49-year-old nonprofit organization headquartered in Brunswick, Maine. We make investments throughout Maine in small businesses, affordable housing and community facilities with a mission of expanding opportunities for low-income people to secure good jobs, grow their income and assets, and live in vibrant, sustainable communities. CEI is certified as a Community Development Financial Institution, or CDFI, by the Treasury Department.

Small businesses are a key driver of the Maine economy, employ more than half of all working Mainers and contribute greatly to the character, sense of place and vitality of our Main Streets, coastal communities and rural villages. Many of these small businesses are rooted in Maine's abundant natural resources – in industries such as fisheries and aquaculture, forest products and farming as well as outdoor recreation, tourism and advanced manufacturing. So I greatly appreciate the opportunity to speak to you about challenges facing our rural small businesses and to highlight the importance of the U.S. Department of Agriculture's Rural Development programs and how they support small businesses in rural America.

Rural Small Businesses and their Capital Challenges

CEI works with approximately 2,000 Maine people each year who would like to start a small business or who own a small business and are seeking business advice and capital as they navigate challenges or opportunities for growth. Most live in rural communities and disproportionately struggle to secure sufficient capital for business start up and growth. Why is this? Facing lower loan volumes, traditional lenders in rural regions tend to charge higher interest rates, apply stringent underwriting criteria, and avoid making what they consider to be high-risk loans to early stage and small businesses in industries that are key to rural communities, such as childcare, aquaculture, farming and food production. Entrepreneurs innovating in our heritage industries or starting companies in emerging industries are the next generation of Maine's businesses yet they have short histories and often face difficulties securing bank loans due to limited credit history, insufficient collateral and limited cash flow. Community and regional banks are often hesitant to lend to businesses with weak cashflow and unproven financial stability. Finally, in rural Maine we often see low property values compound challenges because many businesses cannot meet market lenders' loan-to-value ratios.

CDFIs like CEI help fill the market gaps for those small businesses that are not able to secure the affordable capital they need to start up and grow from traditional or market-based banks. For example, CEI offers loans ranging from our Wicked Fast microloan (with credit decisions in three business days) to our Sea Farm aquaculture loans of up to $250,000 (that offer fixed interest rates and seasonal repayment schedules) and meat/poultry processing loans of up to $2.5 million.

These and other CEI financial products are specially designed to reduce the barriers that prevent microenterprise and small business owners from accessing business-sustaining capital. Nearly every product offers interest rates at or below market, along with flexible credit features such as higher loan-to-value ratios, lower debt service coverage ratios and alternative collateral.

In FY26, our most recent historical year, CEI provided $7.2 million (33% of loans by volume) to start-ups, and 54% of CEI's loans by dollar were made to microentrepreneurs and small business owners in operation for three or fewer years. We also lent $15 million (42% of loans by volume) to businesses deemed high-risk by traditional lenders like in childcare, aquaculture, farming, and food production, mitigating risk with our staff's deep expertise in these sectors and ability to provide industry-specific business development advice in those fields.

USDA Rural Development Programs and their Impact in Maine

Through its Rural Development programs, the USDA plays a key role in addressing ways that markets fail to support small businesses due to these structural deficits that disproportionately disrupt capital access in rural regions. I will highlight three that are critical to the small businesses that CEI works with in rural Maine: the **USDA Intermediary Relending Program**, **Rural Microentrepreneur Assistance Program** and **Meat and Poultry Intermediary Lending Program** as well as one that gets affordable capital to projects to ensure that rural places have a basic quality of life and services, the **Community Facilities Relending Program**. The Community Facilities Program is authorized the Senate's draft farm bill, S.5526, the Agriculture Act of 2026.

According to the Federal Reserve, over the last 20 years, 40 percent of rural counties have lost bank branches, and this decline in banking service availability has been most acute in low-income and minority-majority rural counties. The reduction in bank services leads to a drying up of credit for businesses in low-income communities – loan-to-value ratios are falling, lines of credit are disappearing, and commitments are evaporating. As a result of the steep decline in the availability of credit from private financial institutions, demand is increasing for the range of local, regional, and national loan funds, microloan programs, venture capital, and intermediary organizations to fill this expanding void.

The Intermediary Relending Program (IRP) helps to fill this capital gap. The IRP is authorized by Section 1323 of the Food Security Act of 1985. The Program authorizes 30-year, 1 percent loans to non-profit organizations like CEI that relend federal funds to small businesses in rural areas. Intermediaries must match the IRP loan with non-federal funds.

Across the nation, there are 351 IRP intermediaries, with $508 million in IRP loans outstanding. Businesses that borrow capital through this program are typically small and involved in manufacturing, hospitality (restaurants), construction and community facilities. In many rural communities, IRP financing is one of the few sources of fixed-rate capital available to small businesses. The average IRP loan is approximately $100,000.

The IRP is a cost-effective program for taxpayers, as it creates and retains rural jobs, deploys capital with high impact and leverages non-federal capital.

- Job.Creation – According to USDA, each loan for that amount, on average, creates or saves 76.5 jobs. A recent survey indicates a cost per job of $3,000;
- Continuing.Source.of.Capital.– A typical intermediary revolves IRP funds three times over the life of the 30-year USDA loan, and
- Leverage.- A recent survey of IRP borrowers indicates that projects financed with IRP can leverage as much as $7.30 per dollar of IRP funds.

Over the past 40 years, CEI has borrowed $8.7 million from USDA through this program and deployed those funds into 241 loans totaling $22.4 million, which has leveraged another $168.7 million in private capital. These businesses have created or retained 10,754 jobs in rural Maine. CEI has repaid four IRP loans to the USDA with interest and has five active loans.

A recent example is CEI's financing of the purchase of a residential electrical contractor company by its employees in rural Downeast Maine. The business began in 1990 as a single employee working out of the back of his pickup truck with a few hand and power tools. Since then, it has grown substantially to 12 employees and expanded to include commercial work as well as residential. The founder/owner was ready to retire and opted to sell the business to his employees.

This transaction demonstrates the importance of business succession in rural places. Many small businesses simply close when the owner retires, losing both a valued business in the community and a wealth generating opportunity for both the owner and their successors. In this case, as part of the transition plan, the seller will remain the general manager of the company for two years, during which time he will provide training and mentoring services to his successor. He will remain in a consulting role after stepping down as general manager.

This is a prime example of cash flow lending vs. the collateral based lending approach of traditional lenders. While there is a shortfall of collateral, the cash flow history over 30 plus years demonstrates the company's ability to cover its debt. Without this financing, made possible by an IRP loan, the future of the business and these jobs after the seller's retirement would be dim.

The Rural Microenterprise Assistance Program (or RMAP), is modeled on the IRP program, with the purpose to support the start up and success of rural microenterprises, companies with 10 or fewer employees. RMAP was created in 2010 and provides low-interest loans and grants for technical assistance to local intermediaries such as CEI, and we re-lend and revolve the funds to microbusinesses in rural areas. CEI borrowed $500,000 in RMAP funds and made 31 loans to small businesses in rural Maine that created or retained 157 jobs. The value of the RMAP program is that by restricting the maximum loan size to $50,000, intermediaries like CEI focus on reaching smaller, often start-up, businesses that have very limited options for securing responsible debt capital. The technical assistance grants paired with the loans enable CEI to support the success of these micro businesses, as the interest income from a small portfolio of microloans doesn't

allow us to generate enough revenue from the interest paid to support the technical assistance staffing.

The **Meat and Poultry Intermediary Lending Program (MPILP)** was created in 2022 to provide grants to intermediary lenders to finance the start-up, expansion and operation of slaughter or other processing of meat and poultry. The program's objective is to strengthen the financing capacity for independent meat processors, thereby creating a more resilient, diverse and secure food supply chain across the U.S.

Through this program, the USDA provided CEI with $8 million to support the growth of meat and poultry processing businesses across New England. The grant allowed CEI to finance seven businesses in Maine, Vermont, New Hampshire, and Massachusetts, supporting enterprises across the value chain, from primary beef, pork, and poultry slaughter operations to specialized, value-added processors producing products like craft salami. The funding enabled CEI to make larger and more flexible loans, offering repayment structures better aligned with processing expansion projects and the realities of low-margin, challenging businesses. These investments leveraged more than $6.3 million in additional non-federal capital and helped create 34 new jobs while retaining an additional 63 positions in the seven companies. Beyond supporting business owners and employees, each loan strengthens the local communities by building processing capacity for farms, expanding access to healthy food, and growing and increasing the resilience of the local and regional food supply chain.

This program enabled CEI to finance a 26-year-old farm in Vermont with a commitment to raising pasture-based livestock and maintaining healthy soils. In Vermont poultry processing has been a longstanding bottleneck, due to having a limited number of USDA-inspected facilities. Today, the farm operates a USDA poultry and meat processing facility, processing approximately 40,000 birds on the farm (20,000 of their own) while also adding value to pork and beef products. This investment also allowed the business to grow an additional income stream from processing for 30 other farms across New England while strengthening the regional supply chain for local poultry and meat. The full revenue gains from the equipment and infrastructure improvements will not be immediate. Because MPILP funds are a grant to CEI, we were able to create a flexible repayment structure that aligns payments with revenue performance, reducing cash flow risk while supporting mission-driven growth. And as the loans are repaid we will relend the capital again, to other food sector farms and businesses.

Finally, small businesses are the economic heart of most rural regions, but they aren't sufficient to make a community a place where people want to live on their own. Community facilities such as health clinics, child care centers, educational nonprofits and YMCAs provide that foundation. They also directly support local businesses. A town without child care loses workers who can't stay in the labor force. A town without a health center loses older residents and struggles to attract younger ones. A town without places to gather loses the social ties that keep people invested in its future. When rural communities invest in small businesses as well as the facilities that serve residents, those investments reinforce each other: thriving businesses create jobs and sustain the tax base, and strong community facilities attract and keep the workers, families and

entrepreneurs those businesses depend on. Together, they turn a place where people work into a place where people want to live.

In 2016, the USDA Rural Development launched a program to encourage the financing of community facilities in rural America. Under its Community Facilities (CF) direct loan program, USDA authorized loans to experienced non-profit organizations that would, in turn, relend the funds to CF program-eligible applicants in low-income rural areas. CEI secured a $20 million USDA loan from **USDA's Community Facilities Relending Program** and on-lent capital to organizations addressing critical community needs, including the Central Lincoln County YMCA's facility expansion, the Seedlings to Sunflowers childcare center in Gorham, the Sea Meadow Marine Foundation's working waterfront property purchase in Yarmouth, as well as community healthcare facilities serving rural and underserved populations in Oregon and Maine. This financing leveraged an additional $16 million and created 25 jobs. In addition, CEI provided bridge financing in partnership with USDA Rural Development as well as a community facilities loan to help The Ecology School secure a new permanent campus at the River Bend Farm in Saco.

Across all of these examples, CEI's approach has been consistent: stepping in where conventional lenders cannot or will not, structuring these as low-interest, long-term, fixed-rate loans so that projects can be completed, providing not just financing but also advice, workforce assistance, and connections to complementary funding sources, and ultimately multiplying the impact of USDA funds to strengthen rural communities.

S. 5526 builds on that experience by authorizing CF loans to non-profit organizations, like CEI, which in turn provide long-term financing, often leveraging capital from other sources, to finance eligible projects in low-income rural communities.

In closing, these USDA programs provide and leverage capital that are a lifeline for rural small businesses like the Maine electrical contractor, the Vermont farm and the 30 family farms that raise the poultry and livestock that they process. In places where bank branches have closed and conventional lenders find small loans too costly or too risky, IRP, RMAP and the Meat and Poultry Intermediary Lending programs help mission-driven lenders like CEI to step in. We provide the patient, flexible capital and hands-on business advising that entrepreneurs need to start a business, hire their neighbors, and grow. In turn, they help to keep Main Street storefronts open, support working waterfronts and family farms and create jobs that allow our young people to build their futures close to home. Investing in rural entrepreneurs and community facilities is investing in the vitality and resilience of Maine's future, and in the future of other rural states.

Thank you for the opportunity to testify, and I look forward to your questions.