

# Farm Bill: Update

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Title VI of the “Farm Bill” contains major enhancements to our water and waste disposal loan/grant interest rate structure.

Historically, the “poverty” rate of interest was statutorily set at 4.5%. The “market” rate was set quarterly and the “intermediate” rate was set midway between “poverty” and “market” rates. In recent years the “market” rate was set lower than the “poverty” rate causing administrative problems prior to loan closing. Also, with an initial State allocation of 70% Loan and 40% Grant, applicant affordability was difficult given the limited grant availability.

The recently enacted “Farm Bill” addresses the “market” rate and grant utilization process this way:

- The “Market” rate will be set quarterly as it has been in the past
- The “Poverty” rate will now be 60% of the “Market” rate
- The “Intermediate” rate will now be 80% of the “Market” rate
- The “Market” rate will no longer be lower than the “Poverty” rate.

The net effect of this interest rate concept will allow increased borrowing capacity to our borrowers at affordable rates while still allowing grant assistance to the lower income applicant. The increased interest rate subsidy will be taken from our grant allocation.

I believe this new structure will allow us to increase our project volume, help make projects even more “sustainable” and allow for grant assistance where required.

## OTHER TOPICS

- The Emergency and Imminent Community Water Assistance Grant Program authority has been extended to 2012.
- Predevelopment Planning Grants authority has been granted for rural areas with populations of 2500 or fewer inhabitants for water and waste disposal projects.
- Rural Economic Area Partnerships Zone authority has been extended to 2012. In New York State the Zones are in the Tioga & Sullivan County areas.

As more information becomes available regarding these initiatives, I will look forward to addressing you at Co-Funding Workshops, Association of Towns and Conference of Mayors meetings, as well as, your NY Rural Water Venues.

As always, please do not hesitate to contact me at 315-477-6427 or email to [david.miller@ny.usda.gov](mailto:david.miller@ny.usda.gov). ●

