



USDA Rural Development Programs

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USDA Rural Development Rural Business-Cooperative Service Mission Driven Actions

- Establish strategic alliances and partnerships that leverage public, private, and cooperative resources to create jobs and stimulate economic activity in our rural communities
- Support activities that increase access to investment capital in rural America
- Invest in financial resources and provide technical assistance to businesses located in rural communities

USDA Rural Development Programs

- Eligible projects must be located in a rural area, briefly defined as located in a community of less than 50,000 residents and not located adjacent to an urbanized area.
- Program Location eligibility website:
<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=RBSmenu&NavKey=property@13>
- Current Administration initiatives include efforts to minimize opioid abuse and obesity, plus our continuing support of quality and available health care to our rural residents.



USDA Rural Development Programs



- Business and Industry Guaranteed Loan Program (B&I)
- Rural Energy for America (REAP)
- Intermediary Relending Program (IRP)
- Rural Business Development Grant (RBDG)
- Rural Economic Development Loan and Grant (REDLG)
- Rural Microentrepreneur Assistance Program (RMAP)

Business & Industry (B&I) Guaranteed Loan Program

- USDA Rural Development can provide a government guarantee of rural business loans made by banks, credit unions, Farm Credit Services, and other approved lenders.
- This is not a direct loan program.
- The loan's interest rate and repayment terms are negotiated between the borrower and the lender, with Agency concurrence.



B&I Guaranteed Loans

Eligible Borrowers

- Any legal entity, including corporations, partnerships, and cooperative organizations whether a non-profit or for-profit entity; Federally recognized tribal groups; public bodies; or individuals engaged in or proposing to engage in a business.
- B&I guaranteed loan funds can be used for manufacturing, wholesaling, retailing, or service oriented businesses located in eligible rural areas.
- Borrowers must have tangible equity and provide collateral.



B&I Guaranteed Loan Purposes



- Purchase and development of land, buildings, and associated infrastructure for commercial and industrial properties.
- Business acquisitions, expansions, modernizations, and conversions.
- Commercial or Industrial real estate for lease to private businesses.
- Machinery & Equipment
- Start-up costs, Inventory, and Working Capital.
- Processing & Marketing Facilities
- Renewable Energy Generation – *under certain conditions*
- Debt Refinancing – *under certain conditions*

B&I Guaranteed Loans – Requirements

- Borrowers must have tangible equity in their business at loan closing with a minimum of:
 - 10 percent for existing businesses
 - 20 percent for new businesses
 - 25-40 percent for energy projects

Tangible balance sheet equity is based on financial statements prepared in accordance with GAAP and where intangible assets such as goodwill, patents, amortized loan costs, customer lists, etc. are removed from total assets. Tangible equity also cannot be met through the use of appraisal surplus.

- Collateral, on a discounted basis must be at least equal to the loan amount.
- The initial guarantee fee is 3% of the guaranteed amount, and the lender is charged a guarantee continuation fee of 0.50% annually. The lender is responsible for payment of these fees, but they can be charged to the borrower.

B&I Guaranteed Loans

- Maximum B&I Guarantee Percentage: **80%** for loans up to \$5 million.
- Maximum B&I Guarantee Percentage: **70%** for loans from \$5 - \$10 million.
- Maximum B&I Guarantee Percentage: **60%** for loans of \$10 to \$25 million.
- Maximum Loan Amortization Terms:
 - Real Estate – 30 Years
 - Equipment – 15 Years or its useful life, whichever is less
 - Working Capital – 7 Years

Rural Energy for America Program (REAP)

Promotes energy efficiency and the development of renewable energy through the issuance of loan guarantees and grants for energy efficiency improvements and renewable energy systems.





Rural Energy for America Program (REAP)

- Eligible applicants are agricultural producers and rural small businesses
- Eligible Energy Efficiency Improvements include: lighting, heat & power, refrigeration, HVAC, equipment and processes, automated controls, and building updates
- Eligible Renewable Energy Systems include: solar, wind, small hydroelectric, anaerobic digestion, biomass, and geothermal
- The technology must be commercially available

Rural Energy for America Program (REAP)

- The grant amount cannot exceed 25% of the project costs
- The total loan and grant amount cannot exceed 75% of the eligible project costs
- If there is no grant component, the guaranteed loan amount cannot exceed 75% of the project costs

Some primary differences between REAP and B&I

- There is not a balance sheet equity calculation for REAP as it is project-based financing
- The REAP initial guarantee fee is 1% while B&I has a 3% fee
- The REAP annual renewal fee is 0.25% while B&I has a 0.50% annual renewal fee
- REAP loans of \$600,000 or less can receive an 85% loan guarantee

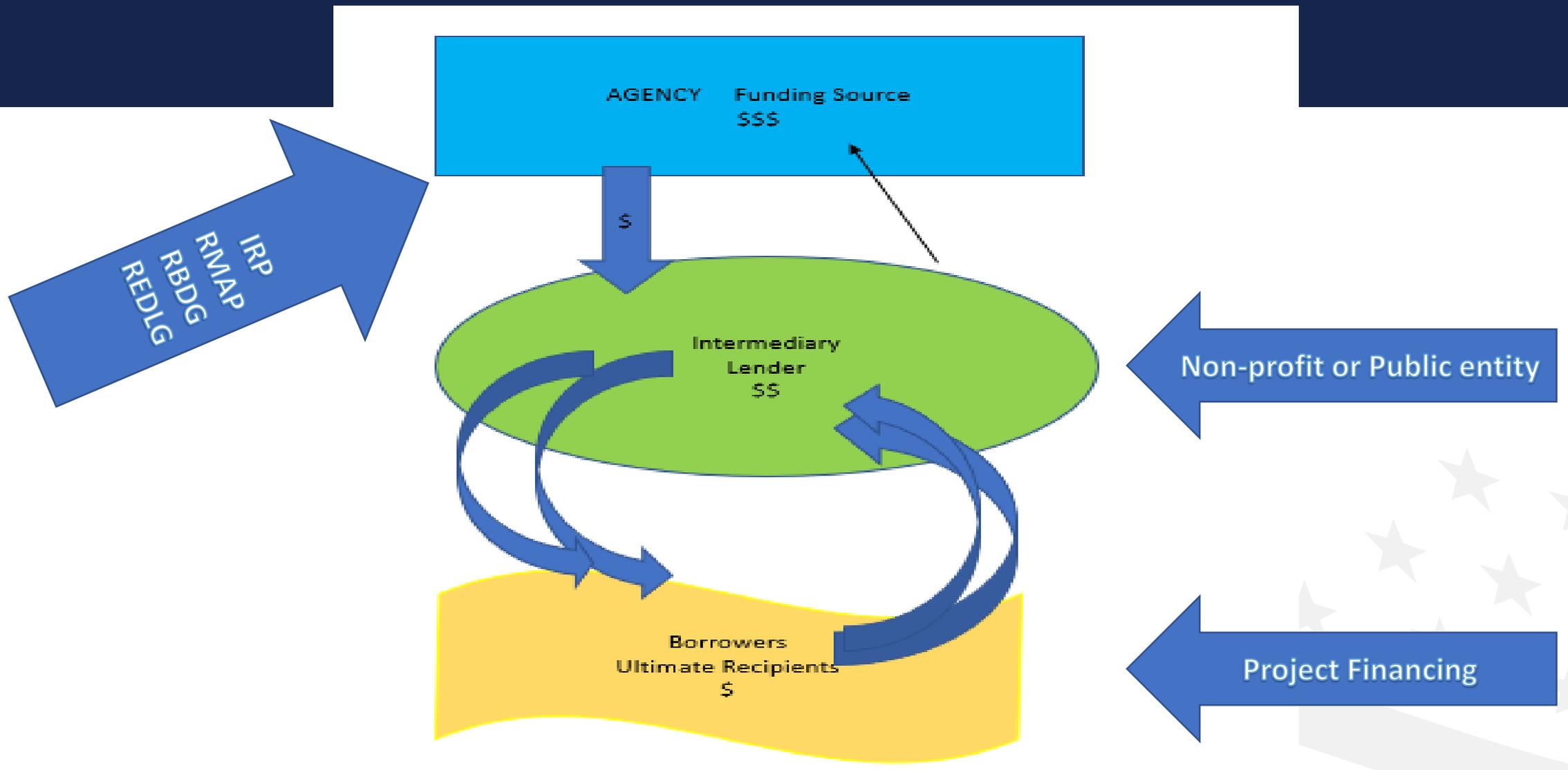


Specialty Programs Division

Revolving Loan and Grant Programs

- Intermediary Relending Program (IRP)
- Rural Microentrepreneurial Assistance Grant (RMAP)
- Rural Business Development Grant (RBDG)
- Rural Economic Development Loan & Grant (REDLG)

Revolving Loan Funds Flow Chart



Intermediary Relending Program (IRP)

- Purpose: alleviate poverty and increase economic activity and employment
- A direct loan made to an Intermediary entity, who then loans money to an Ultimate Recipient
- Eligible Intermediaries are:
 - Non-Profit Entities
 - Public Agencies including Municipalities and Indian Tribes
 - Rural Cooperatives



Intermediary Relending Program (IRP)

- The Intermediary receives a loan at a fixed interest rate of 1% for 30 years
 - A 3-year principal deferral period is available
- Maximum Loan Amount: \$2 million to the Intermediary
- Maximum Loan Amount from the Intermediary to the Ultimate Recipient is \$250,000

Intermediary Relending Program (IRP)

An eligible Ultimate Recipient must be unable to obtain affordable financing elsewhere. Loan funds from the Intermediary may be used for any eligible purpose including:

- The acquisition, construction, conversion, expansion or repair of a business or business facility
- The purchase or development of land (including easements and rights of way)
- The purchase of equipment, leasehold improvements, machinery, or supplies
- Start-up costs and working capital
- Transportation services
- Feasibility studies and some fees

Rural Microentrepreneurial Assistance Program (RMAP)

- The revolving loan fund portion of this program works similar to IRP with some differences:
 1. Maximum loan to the Intermediary is \$500,000
 2. Maximum loan to Ultimate Recipients is \$50,000
 3. The Ultimate Recipient must be a “microenterprise” business with a maximum of 10 employees

Rural Microentrepreneurial Assistance Program (RMAP)

The RMAP Intermediary must be a Microenterprise Development Organization (MDO) that is either:

- a Non-Profit entity;
- an Indian Tribe; or
- a public institution of Higher Education



Rural Microentrepreneurial Assistance Program (RMAP)

- Maximum loan term to the Intermediary is 20 years
- Interest rate is fixed at 2%
- Loan Funds are awarded in conjunction with a grant (25% of the loan amount)
- The grant will fund technical assistance and pay some of the MDO's administrative costs

Rural Business Development Grant (RBDG)

- RBDG is a grant program that has multiple uses including:
 - Technical Assistance and Business Incubators
 - Feasibility Studies
 - Construction or Conversion of Real Estate
 - Purchase of Equipment
 - Establishment of a Revolving Loan Fund
- Assistance must be provided to a
“Small and Emerging Business” defined as: *“Any private business which will employ 50 or fewer new employees and has less than \$1 million in projected gross revenues”*

Rural Business Development Grant (RBDG)

- Eligible applicants are:
 - Non-Profit Entities;
 - Public Bodies including Municipalities and Indian Tribes
- Projects must be completed within 1 year



Rural Economic Development Loan (REDL)

- A direct loan program from USDA to eligible Intermediary Lenders, which are established Electric or Telecom Borrowers, or nonprofit utilities.
- The Intermediary loans funds to an Ultimate Recipient for: Business Expansion, Nonprofit Community Development, Startup Ventures, Educational/Medical equipment & facilities, Business Incubators, or Technical Assistance
- The Intermediary and Ultimate Recipient will each have a 0% interest loan with a 10-year maximum repayment term
- The maximum loan amount is \$2 million



Rural Economic Development Grant (REDG)

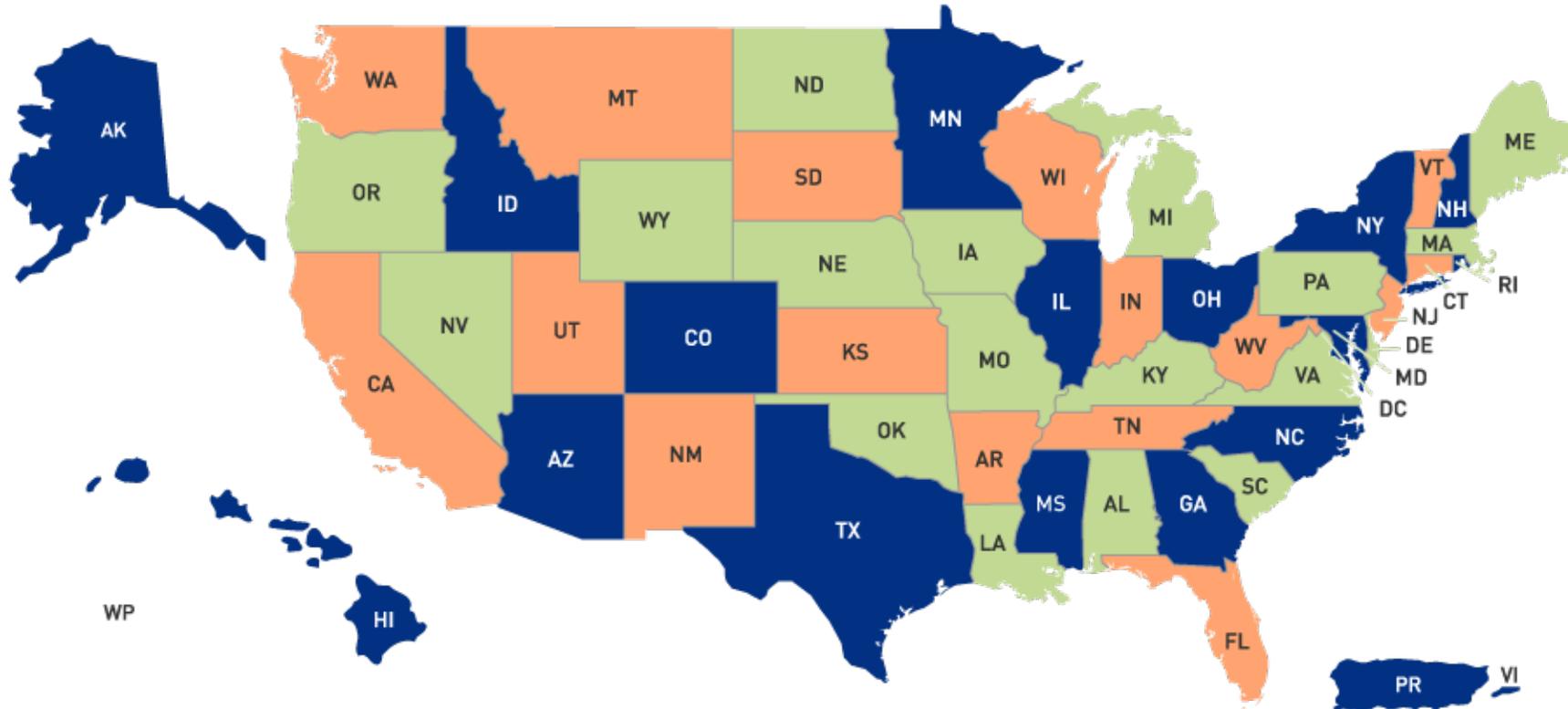
- REDG funds at a maximum of \$300,000 are used to establish a Revolving Loan Fund and requires a 20% match by the Intermediary
- The initial REDG funds from Rural Development are loaned to an Ultimate Recipient at 0% interest for up to 10 years.
- Proceeds can be used for: Business Incubators, Business Expansion, Nonprofit Community Development, Startup Ventures, Educational/Medical equipment & facilities, or Technical Assistance
- The grant agreement is in force until the grant is re-paid to the Agency

Where Do I Start?

Rural Development has office locations in every state. The contact information for these offices, and all USDA Rural Development Programs, are accessible at: www.rd.usda.gov

Thank You!

rd.usda.gov - Browse by State tab



Rural Development Website Links

- Rural Development Main Website: <https://www.rd.usda.gov/>
- Rural Development State Office Contact Information: <https://www.rd.usda.gov/browse-state>
- Location Eligibility Website: <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=RBSmenu&NavKey=property@13>
- Rural Development Program Instructions: <https://www.rd.usda.gov/publications/regulations-guidelines/instructions>

Use "Ctrl + Click" to follow links

