

USDA Rural Development

2012 Market Place

“Building Partnerships to Maximize
Opportunities”



USDA Rural Development's Mission

- Increase economic opportunity,
- Create and maintain jobs, and
- Enhance quality of life in our rural communities.

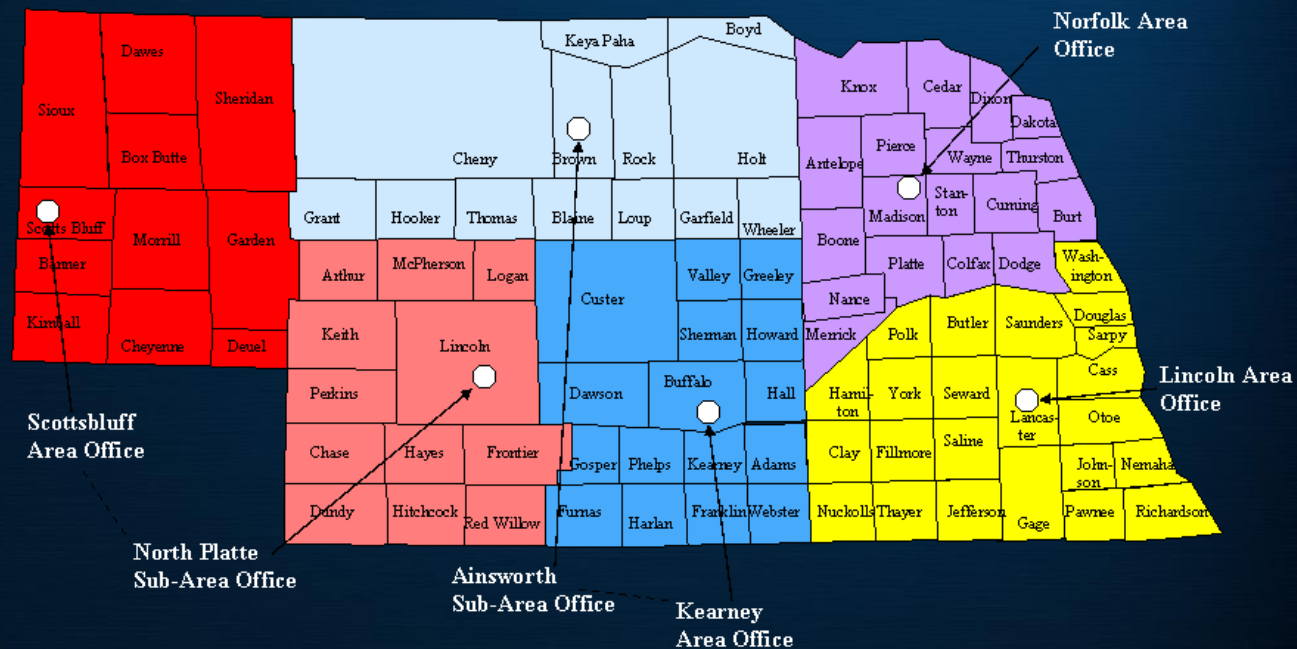
Building Your Community From the Ground Up

- **Business** – *growth and establishment of local businesses and cooperatives*
- **Community Facilities** – *programs and technical assistance for schools, health clinics and emergency response facilities*
- **Utilities** – *assisting rural communities to improve water, energy, telecommunications and broadband services*
- **Housing** – *homeownership and development of affordable rental housing*

The Lending Partnership

- Access to one-on-one assistance
- Local subject matter experts
- Assist with any needs of the community

USDA Rural Development Area Offices



Business Programs

- Business & Industry Guaranteed Loan (B&I) Program
 - *Working through a commercial lender, can get up to an 80% guarantee on loan for business needs (real estate, machinery & equipment, or working capital)*
- 9007 Rural Energy For America Program
 - *Rural Small Businesses & Ag Producers can apply for up to 25% in grant funds for making energy efficiency improvement to EXISTING operations or installing renewable energy source*

Business Programs

- Rural Business Enterprise Grant (RBEG)
 - *Non-profits to apply for assisting “small and emerging private businesses” through technical assistance (business incubator, feasibility studies, etc), or setting up a Revolving Loan Fund*
- Intermediary Relending Program (IRP)
 - *Non-profits to apply for funds to set up a Revolving Loan Fund. Is a 30 year loan, at 1% interest, but charge a higher interest rate on loans in order to build up loan fund to relend to other businesses*

Rural Economic Development LOAN & GRANT (REDLG) Program

- Purpose of the REDLG program is to promote rural economic development and/or job creation projects
 - *Intermediary* – Company applying to USDA Rural Development for the funds (Public Power District, Telco, or approved Municipality)
 - *Ultimate Recipient* – initial project receiving the funds from the intermediary (Non-profit or For-Profit)
- Maximum GRANT = \$300,000 (subject to change each fiscal year)
- Maximum LOAN = \$740,000 (subject to change each fiscal year)

Rural Economic Development Loan & Grant (REDLG) Program

- Eligible Intermediaries:
 - *Those Public Power Districts or Telco's that have used the RUS loan programs in the past and have current outstanding balances or have paid in full.*
 - Municipalities now can apply for eligibility under this program
 - *Send letter requesting approval to National Office, along with supporting documentation requested*
 - » Contact your local USDA Rural Development Office for more details and the letter template

Rural Economic Development Loan & Grant (REDLG) Program

- **LOAN portion of program** – ONLY TELCO'S CAN APPLY UNDER THE LOAN PROGRAM
- **GRANT portion of program** – PUBLIC POWER DISTRICTS, APPROVED MUNICIPALITIES, AND TELCOS CAN ALL APPLY UNDER THE GRANT PROGRAM

Rural Economic Development Loan & Grant (REDLG) Program

- Eligible LOAN Projects
 - *Start-up Venture costs*
 - *Business Incubators*
 - *Technical Assistance*
 - *Project feasibility studies*
 - *Advanced telecommunications for medical, educational, and job training services*
 - *Community Facility Projects (non-profits):*
 - Will create or save employment AND
 - Are open to and serve all rural residents, and are owned by the ultimate recipient

Rural Economic Development Loan & Grant (REDLG) Program

- Eligible **GRANT** Projects

- *Non-profit entities, public bodies, or Federally-recognized Indian Tribes:*
 - Community Development or Community Facility Projects that:
 - *Will create or save employment; AND*
 - *Are open to and serve all rural residents, and are owned by the ultimate recipient*
- *Business Incubators*
- *Facilities & Equipment to provide education and training to residents to facilitate economic development*
- *Facilities & Equipment to provide medical care to residents*
- *For-Profits may use funds for all of the above EXCEPT: Community Development and Business Incubators*

Rural Economic Development Loan & Grant (REDLG) Program

- Rates and Terms: **Loans**
 - USDA Rural Development Borrower (Intermediary):
 - *0% interest/10yr term/2 yr deferral on principal payments if necessary*
 - Ultimate Recipient:
 - *Equal loan terms made to USDA Rural Development borrower*
 - *Can be assessed annual servicing charge NTE 1% of outstanding principal loan balance on first day of each year*

Rural Economic Development Loan & Grant (REDLG) Program

- Rates and Terms: **GRANTS (Revolving Loan Fund)**
 - Ultimate Recipient (Initial Loans):
 - *0% interest/10 yr term/2 yr deferral on principal payments if necessary*
 - *Can be assessed annual servicing charge NTE 1% of outstanding principal loan balance on first day of each year*
 - *As the Ultimate Recipient pays back the loan to the Intermediary (USDA Rural Development Borrower), the Intermediary establishes a Revolving Loan Fund to then relend to other eligible small businesses and community development projects.*

Rural Economic Development Loan & Grant (REDLG) Program

- APPLICATION DEADLINES

- *Applications are accepted on a MONTHLY basis, due by the 15th of each month*

- Rural Development Office reviews and scores application and submits to National Office by 30th of that month

- *Applications are funded based on their scores, and are funded on a monthly basis as well.*

- » If not funded in the following month, application can stay in the competition for up to 1 year

Intermediary Relending Program

- Intermediaries:
 - *Non-profit corporations, cooperatives, public bodies, Federally Recognized Indian Tribes*
- Revolving Loan Funds
- Ultimate Recipients:
 - *Private or public entities or individuals*
- Business and Community Development Projects

Intermediary Relending Program

- Loans
 - *Intermediary (Rural Development Borrower):*
 - 1% fixed interest rate
 - 30 year term
 - 3 year principal deferral-interest only payments
 - Ultimate Recipient (Intermediary Borrower):
 - *Interest rate negotiated by intermediary and recipient*
 - *Eligible Area: Less than 25,000 population*
 - *Maximum Recipient Loan: 75% of total project or \$250,000 whichever is less*

The Programs – Community Facilities (CF)

% of Loan Guaranteed	Up to 90%
Loan Amounts	Based on project; no maximum; the amount is based on project feasibility, reasonable project costs & cash flow
Loan Terms	Limited to useful life of security; maximum 40 years
Fees	1% of guarantee; no renewal fee
Loan Uses	Land acquisition, construction, expansion or improvement, equipment, fixtures, legal and other professional fees
Borrower Types	Public bodies, not-for-profit organizations and Indian tribes
Community size	Population up to 20,000

Community Facility Success Story – The Siouxland Y – Norm Waitt Sr. YMCA

- Fitness Recreational Facility
- Community Support
- Expanded Services
- Estimated Cost – \$10.9 MM

-Guarantee \$3.8MM
-Pledges & \$7.1MM
Donations



Community Facility Success Community Medical Center Falls City, NE

- Total Replacement
- *\$9 million Guarantee*
- *\$9 million CF Direct*



Community Facility Direct Loan

- Direct Loan is 2nd choice to a guaranteed loan
 - *Money comes directly from USDA Rural Development*
 - 40 year Bond or Note
 - *Municipalities – use Bonds*
 - *Non-profits – Note/Mortgage*
 - Interest rates – comparable to current municipal bond rates AND based on MHI of the service area
 - Test of Credit is required
 - *Population of 20,000 or less*

Community Facility Grants

- 2nd choice to Direct Loans
 - *Amount of grant is determined by the MHI for the service area (could be 15 – 75% of project cost)*
 - Must be unable to finance the project from their own funds or from loan assistance
 - *Typically used for small projects, such as:*
 - Emergency Siren Systems
 - Emergency Equipment (fire & rescue)
 - *Thermal Cameras*
 - *Excavation chairs*
 - *Updated computer systems in the ambulances*
 - *Population of 20,000 or less*

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