



# USDA Rural Development

Meeting in McPherson

# USDA Rural Development (RD) Programs

RD has many programs to support Rural America

- **Business and Cooperative Programs (BP)**  
(also sometimes just called the Business Program (BP) division)
- Water and Environmental (WEP)
- Community Facilities (CF)
- Single-Family Housing (SFH)

For more information: [rd.usda.gov](http://rd.usda.gov)



# USDA Rural Development (RD) Programs

## Business Programs:

- **Business & Industry Guaranteed Loan Program (B&I)**
- **Rural Energy for America Program (REAP)**
- Some other programs:
  - Grants: RBDG, VAPG
  - Loans/Relending: REDLG, IRP
  - Energy: 9005, HBIIP

<https://www.rd.usda.gov/programs-services/business-programs>

# USDA Rural Development (RD) Programs

## Four USDA Rural Development (RD) Offices in Kansas:

Topeka, KS (State Office)

Hays, KS (Area Office)

Iola, KS (Area Office)

Newton, KS (Area Office)



# USDA RD Business Programs Staff in Kansas

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# USDA Rural Development (RD) Business Programs

## Rural Area

- Business must be located in an eligible rural area
- Ineligible areas are cities or towns that have a population of greater than **50,000** inhabitants and any urbanized area contiguous and adjacent to such city or town
- Rural area determination tool:  
<http://eligibility.sc.egov.usda.gov/eligibility/>
- Rural area determination tool alternate link:  
<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=RBSmenu>



# Business & Industry Guaranteed Loans (B&I)



# Business & Industry (B&I) Guaranteed Loans

## Eligible Business Entities

- Corporations (profit or non-profit)
- Sole Proprietors
- Cooperatives
- Partnerships
- Indian Tribes





# Business & Industry (B&I) Guaranteed Loans

## Application Process

- Lender works with borrower to submit an application to the Rural Development office where the business is located.
- Lender is encouraged to work with Rural Development (RD) early in process to make determination of project eligibility.
  - Lender may submit a pre-application to assist with eligibility determination.
- Agency reviews application, conducts an environmental review, and addresses any concerns with Lender.
- Agency issues a conditional commitment.
- Once conditions are met, Agency issues the loan note guarantee.

# Business & Industry (B&I) Guaranteed Loans

## Loan Purposes:

- Business acquisition
- Real estate purchases and improvements
- Machinery and equipment
- Working capital
- Debt refinancing



# Business & Industry (B&I) Guaranteed Loans

## Loan Limits:

- B&I Minimum loan amount: None
- B&I Maximum loan amount: \$25 million
  - Some exceptions for cooperatives



# Business & Industry (B&I) Guaranteed Loans

## Fees and Percentage of Guarantee:

- Business & Industry Guaranteed Loans
  - Initial guarantee fee: 3%, 1% reduced fee for some projects
  - Annual renewal fee: 0.5%
  - Issuance before construction: 0.5%
  - Guarantee: 80% of loan amount



# Business & Industry (B&I) Guaranteed Loans

## Interest Rates:

- **Negotiated between the lender and borrower**
  - May be fixed, variable, or a combination
- Cannot be more than rates customarily charged borrowers for loans without guarantees
- Subject to Agency review and approval
- Promissory note cannot contain provisions for default interest or penalty interest

# Business & Industry (B&I) Guaranteed Loans

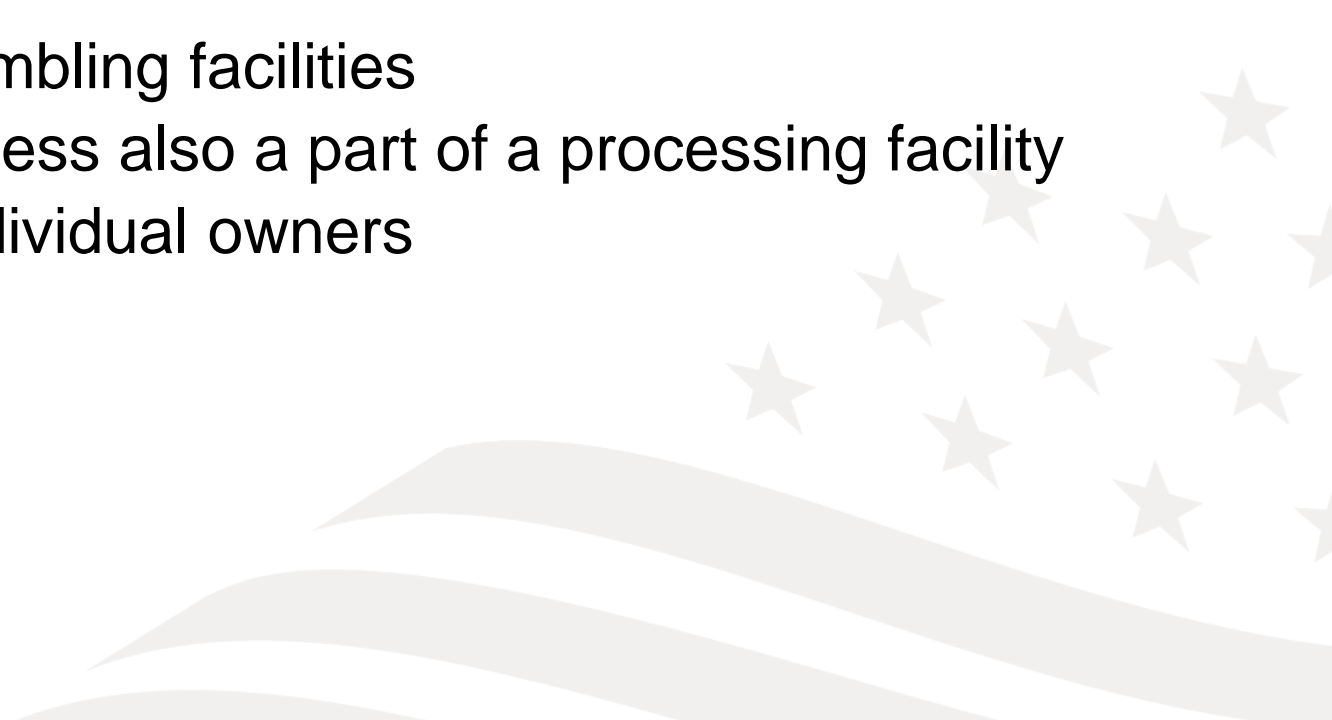
## Loan Terms – Repayment Period:

- Lender driven based on what lender historically provides
- Should be justifiable based on the useful life of the collateral
- Chart shows typical maximum lengths:

Real Estate	30 years
Machinery and Equipment	15 years
Working Capital (WC)	7 years

# Business & Industry (B&I) Guaranteed Loans

## Ineligible uses of loan funds include:

- Lines of credit
  - Owner-occupied housing, apartments, duplexes, residential trailer parks, housing development sites
  - Golf courses, racetracks, or gambling facilities
  - Most agricultural production unless also a part of a processing facility
  - Distributions or payments to individual owners
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# Rural Energy for America Program (REAP)



# Rural Energy for America Program (REAP)

## REAP Program Overview















- Provides grant funding or guaranteed loan financing to:
  - Rural small businesses
  - Agricultural producers
- Eligible projects include:
  - Energy Efficiency Improvements
  - Renewable Energy Systems



# Rural Energy for America Program (REAP)

## Applications Deadlines

- Fiscal Year 2024
  - ~~March 31, 2024~~
  - June 30, 2024
  - September 30, 2024
- Guaranteed Loan applications accepted continuously, year-round

Energy Efficiency		Renewable Energy	
	Lighting		Solar
	Heating		Wind
	Cooling		Small Hydroelectric
	Ventilation		Anaerobic Digesters
	Fans		Biomass
	Automated Controls		Geothermal
	Insulation		Wave/Ocean Power

# Rural Energy for America Program (REAP)

## REAP Grants

- Reimbursement after project is complete
- Up to **50% of Eligible Project Cost**
- Minimum and maximum amounts based on project type:

 Renewable Energy Systems		 Energy Efficiency Improvements	
Minimum Total Project Cost	<b>\$10,000</b>	Minimum Total Project Costs	<b>\$6,000</b>
Maximum Grant Request	<b>\$1,000,000</b>	Maximum Grant Request	<b>\$500,000</b>

# Rural Energy for America Program (REAP)

## Krehbiels Specialty Meats, Inc.

- McPherson, KS
- Replaced existing lighting with energy efficient LED lighting in the retail store and processing plant
- Energy savings with approximately 2.53-year simple payback
- Total project cost \$24,285, received a \$6,071 REAP grant



# Rural Energy for America Program (REAP)

## Peabody Market

- Peabody, KS
- Replaced inefficient coolers and refrigerators
- Significant Energy savings
- Total project cost was \$36,200, received a \$9,050 REAP grant





# Rural Energy for America Program (REAP)

## Sollo Vineyard

- Whitewater, KS
- Purchase and install a 53-kilowatt solar array
- The solar energy created will replace 80% of the business' energy use per year
- Total project cost was \$103,696, received a \$20,000 REAP grant.





# Rural Energy for America Program (REAP)



## REAP Guaranteed Loans

- Up to 75% of Eligible Project Costs

Minimum Loan Amount	\$5,000 Total eligible project costs $\geq$ \$6,667
Maximum Loan Amount	\$25 million Total eligible project costs $\geq$ \$33.4 million
Details	<ul style="list-style-type: none"><li>• USDA guarantees a commercial loan, applicant must have a willing lender</li><li>• Terms are negotiated between the lender and borrower</li><li>• Fees, appraisals, equity and collateral requirements apply</li></ul>

Questions?

