

Rural Economic Development Loan & Grant Program



Rural Development

Business Programs

Area & Sub-Area Offices FY 2011

Scottsbluff Area Office

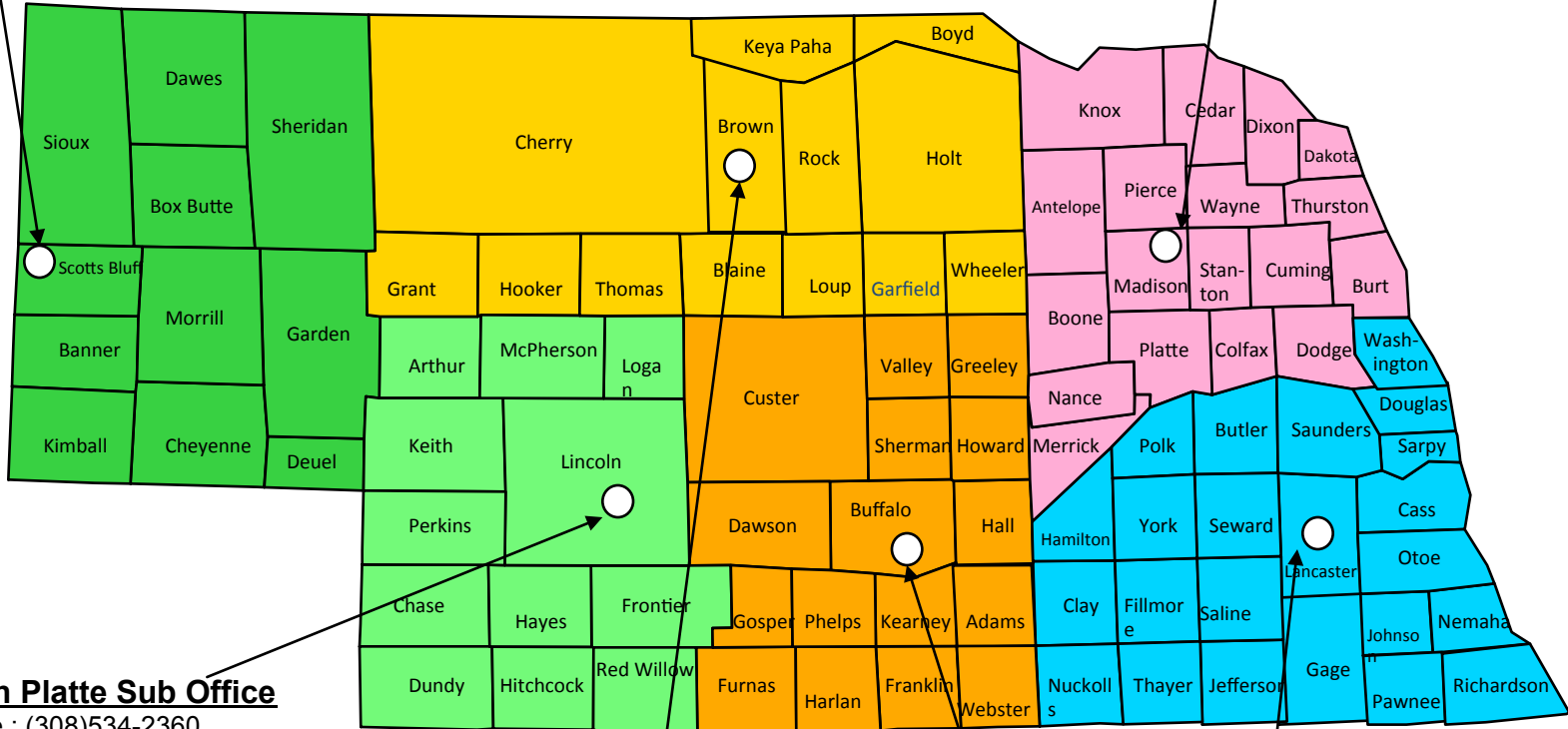
Phone : (308)632-2195

Area 4

Norfolk Area Office

Phone : (402)371-5350

Area 3



North Platte Sub Office

Phone : (308)534-2360

Ainsworth Area Sub Office

Phone : (402) 387-2242

Kearney Area Office

Phone : (308)237-3118

Area 1

State Office – Lincoln

Phone : (402)437-5551

Lincoln Area Office

Phone : (402)423

Area 2

Rural Economic Development Loan & Grant Program



Program Overview



Rural Economic Development Loan & Grant Program

- **Program Purpose:** To Promote Rural Economic Development and Job Creation Projects through
 - 0% “Pass through” Loans (REDLs)
 - Grants to establish a local Revolving Loan Fund (REDGs)
- Nationally Competitive Program
 - Quarterly Application Submission
- REDL&G Program Funding (FY 10-11)
 - REDLs – \$32 Million allotted for the year / \$18 Million left
 - REDGs—\$11 Million

REDLG-Under-utilization

FY 2010 National Activity	Loan	Grant
Available Funding	\$33,077,000	\$10,000,000
Total Obligations	\$21,925,572	\$9,036,570
Unused Funds	\$11,151,428	\$963,430

Nebraska REDLG Historical Overview



➤ **15** Organizations

➤ **\$8.5** million in Federal
Funds

REDL&G Overview - Definitions

- RUS Eligible Borrower— “Intermediary”
- Project— “Ultimate Recipient of Funds”
- REDL— “Rural Economic Development Loan”
 - a/k/a “Pass Through Loan”
- REDG— “Rural Economic Development Grant”
 - Grant is to Intermediary (Applicant)
 - 0% Loan to Project (Ultimate Recipient)
- Eligible Location
 - Rural Areas with populations < 50,000
 - Priority for areas of under 2,500 and under 1,250

REDL&G Overview

—Applicant Eligibility

Q— Who is eligible to apply for REDL&G?

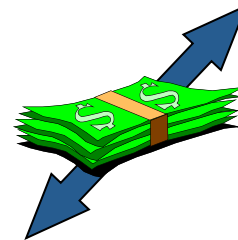
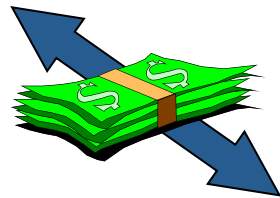
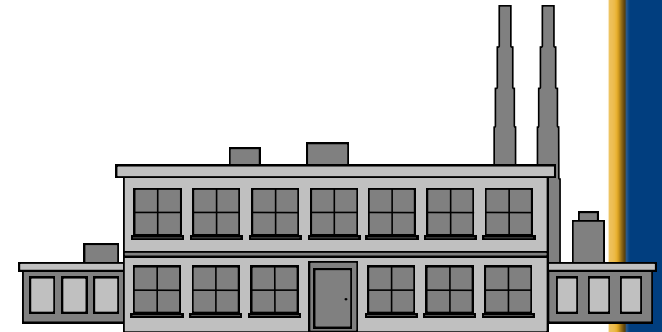
A— Current, Former or Eligible RUS
Borrowers

Rural Economic Development Loan & Grant Program



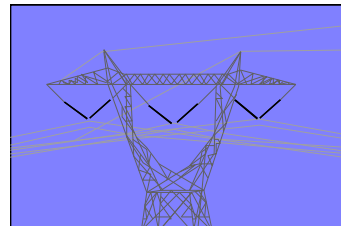
Rural Economic
Development Loans
(REDLs)

REDL or “*Pass Through*” Loan

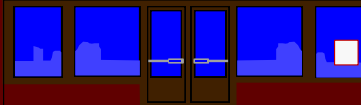


Intermediary
borrows from
UDSA RD at 0%
interest

Intermediary loans to
recipient at 0%
interest



Intermediary



REDL&G Loan Terms



- Maximum \$740,000 or up to 80% of Project, whichever is less (less than 80% is better)
- 0% Interest Loan
- Up to 10 Year Term
- Up to 2 year deferment until payments start
- Monthly payments match electrical utility's repayment to USDA

**** Intermediary Guarantees Loan ****

**** Adequate Security a Must ****

Timeline Impacts for Project

Only project costs incurred AFTER a complete application is turned in to USDA, are eligible for financing

- Environmental review included
- Earnest Deposits are allowed
- Interim Financing is allowed (necessary)
- Project can be completed in “phases”
- Loan not issued until project completion is documented

Timeline Impacts for Project

Why would a project wait that long?

- Long construction timeline
- Cash flow advantage of 1-2 year repayment deferral
- Interest Savings
 - Example: \$740,000 REDL 0%, 2 year deferral vs. 7% conventional financing

\$285,000 in Interest Savings!

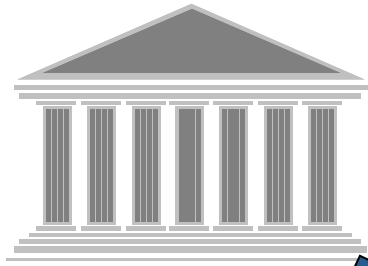
Rural Economic Development Loan & Grant Program



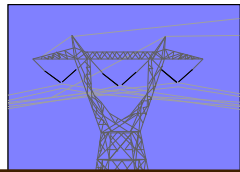
Rural Economic
Development Grants
(REDGs)

USDA Grant for Revolving Loan Fund

USDA RD grants to RLF
\$300,000 Max

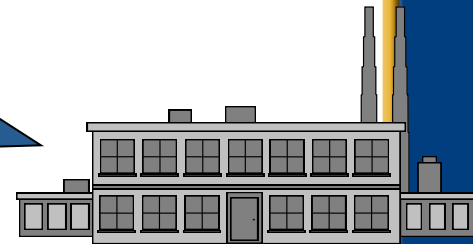


Intermediary
matches 20% with
own funds \$60,000
max



Intermediary

Intermediary
Administered RLF of
\$360,000



USDA REDG Program

Eligible vs. Competitive Projects

Eligible

- Non-Profit , Business Expansions and Start-ups
- Medical, Safety and Training Facilities
- Community Facility Projects
- Business Incubator Facilities

More Competitive

- Medical Facilities
 - Hospital Renovation
 - New Medical Clinics
 - Computer / Technology
- Educational Facilities
 - Computer / Technology
- **Key Component:**
 - **Direct Job Creation**
 - **“High Tech” training and/or equipment**
 - **Technology Plan**



USDA Grant for RLF

-- “Initial Loan” Terms

Application is submitted on behalf of one or more projects

- Initial Loan to Non-Profit Entity or Public Body
 - Project receives a 0% Interest Loan
 - Up to a 10 Year Term
 - Up to 2 year deferment until payments start
 - Application can be up to 80% of project costs


USDA Grant for RLF

-- RLF Operation Basics

Revolving Loan Fund plan serves as Administration Rules of RLF

- You set the rules (within limits) for your loan fund
 - RLF plan is approved by USDA
- Must Follow RLF Plan
 - Even after the first loan

“Revolved Funds” / Subsequent Loans (your RLF)

- Funds Lose Federal Identity—environmental review not required
- Only the first loan must be at 0% interest for 10 years
 - Charge Interest and/or Administrative Loan Fee
- For profit businesses eligible to apply for revolved funds 

USDA Grant for RLF

-- RLF Operation Basics

Risk / Exposure

- Adequate security needed--RLF is taking risk
- Losses do not have to be replenished
 - Future interest earnings build RLF
 - Allowance for loan losses protects fund from losses

Compliance

- Must Collect Annually:
 - Financial Statements from Borrower
 - Job Count
- Submit Annual Report to USDA
 - Moving towards web based reporting
 - Annual Budget (if applicable)

Combination Loan and Grant Applications

- Must be non-profit or public body
- Submit in applications under one cover, USDA can approve separately
- Match required for RLF, guarantee for Loan
- Two separate loans are issued from the intermediary to the Ultimate recipient
- Works well for Health Care, Education, community projects

Rural Economic Development Loan & Grant Program



*Case Studies—
Using Partners*

Case Study—REDG for Industry

Funding:

- **REDL: \$250,000**
- **CDBG: \$250,000**

Benefits:

- **10,200 Sq. Ft. Blding**
- **25/50 Jobs Created**
- **Benefits/Training**

Bloomfield Call Center (Ultimate Recipient)



Bloomfield, NE

Case Study

- REDL: \$46,000
- CDBG: \$65,000
- Blue Hill CF: \$59,000(D)
- Bank: \$25,000(D)
\$35,000(5% Loan)
- Winther Foundation:
\$50,000(G)
- Owners: \$250,000

Price's Supermarket (Ultimate Recipient)



Blue Hill, NE

Case Study- Multiple Awards

**Benkelman Telephone
(USDA Borrower)**

**Dundy County Hospital (Ultimate
Recipient)**

REDL: \$270K

REDG: \$330K

Telephone Co.: \$66K

Hospital: \$84K



Benkelman, NE

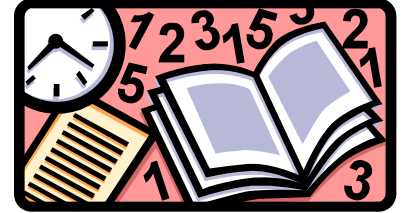
Rural Economic Development Loan & Grant Program



Packaging a Successful
REDL&G Application

Application Process
and Scoring

When would an application be submitted?



- Business Plan Almost Complete
 - Known project costs
 - Job creation estimated
 - Prior to beginning construction
- Other Financing Tentatively Arranged
 - Need to fill a gap and determine creditworthiness
- Evaluate the Competitiveness of the Application/Project
 - Define the “project” within the application

Application Timeline



- Processing Time—90 Days+
 - USDA Environmental Review (45 Day Minimum)
 - Application Narrative & Attachments
- Quarterly Application deadlines
 - June, September, December, March
 - Awards Announced Next Quarter
 - Can continue in review for 4 quarters
- Post Award Processing

REDL&G Scoring Criteria

—Summary of Key Factors

- Project Located in Rural Area
 - Communities of under 2,500
- Complete Business Plan & Financials
 - From the project, plus your analysis
- Demographic Trends
 - Population Loss
 - Higher Unemployment Rate than state or nation
 - Per Capita Income Levels documented

Multiple REDL&G Awards

- No Upper Limit to # of applications
 - Multiple awards to same RUS eligible borrower
- Each project is reviewed independently
 - Multiple Awards to same company / entity
- Minor scoring implications
 - Bonus points if first time applicant
 - Bonus points if first award for county
 - Bonus points if first award for cooperative

The Last Word...

- Gives the utility a seat at the table
- Active vs. passive participation in community and economic development
- Rural Development focus on the REDG is the future benefit and ability to leverage funds
- The first one is the learning experience
- Rural Development staff are willing to consult the utility regarding their application!