



Committed to the future of rural communities.

Rural Energy for America Program Loan Guarantee Program

Purpose

The Rural Energy for America Program is intended to promote energy efficiency and renewable energy development for rural small businesses and agricultural producers.

This federal assistance is intended to provide “gap” financing for energy related projects. The guarantee loan will not exceed 75% of the total eligible project costs.

Combined guaranteed loan and grant packages cannot exceed 75% of the total project costs.

Residential construction or improvements are not eligible for this assistance.

Eligible Applicants

An applicant must be a rural small business or an agricultural producer.

- The size requirement for a small business is defined by SBA at the following web-site:
www.sba.gov/size/summary-what-is.html.
- An agricultural producer is defined as an individual or legal entity which receives 50% or more of their gross income from agricultural.

Eligible Areas

The project must be in a rural area or in an incorporated community under 50,000 population and not adjacent to an urban area. Project location eligibility can be found at:

<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

Project Eligibility

The guaranteed loan funds must be used to purchase a renewable energy system or to make energy efficiency improvements to an existing facility.

An eligible project must:

- be for pre-commercial or commercially available technology. (Not intended for research and development)
- have technical merit;
- be in a rural area;
- be owned and controlled by the applicant;
- have sources of revenue that are sufficient to provide for operation, management, maintenance, and debt service of the project.
- Renewable energy projects will use one of the following renewable resources:
 - Wind
 - Solar
 - Biomass
 - Anaerobic Digestion
 - Geothermal.
 - Hydrogen derived from a renewable energy source.

Eligible Project Costs

The following items are considered to be eligible project costs as long as these costs are an integral part of the renewable energy system or energy efficiency improvement:

- 1) Post-application purchase and installation of equipment(new or refurbished /remanufactured)
- 2) Post-application construction or improvements.
- 3) Energy audits or assessments.
- 4) Permit and license fees.
- 5) Professional service fees, except for application preparation.
- 6) Feasibility studies and technical reports.
- 7) Business plans.
- 8) Retrofitting.
- 9) Working Capital
- 10) Land acquisition.
- 11) Construction of a new energy efficient facility only when the facility is used for the same purpose, is approximately the same size and based upon the energy audit will provide more energy savings than improving an existing facility. Only costs identified in the energy audit for energy efficiency improvement are allowed.

“USDA is an equal opportunity provider, employer, and lender”. To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, 1400 Independence Avenue S.W., Washington D.C. 20250-9410, or call (800) 795-3272 (voice), or (202) 720-6382 (TDD).

Ineligible Loan Purposes

Debt refinancing; lines of credit; agricultural tillage equipment; used equipment; vehicles; and application preparation fees.

Guaranteed Loan Limits

The USDA Guaranteed loan cannot exceed 75% of the total eligible project costs. Minimum guaranteed loan is \$5,000. The maximum guaranteed loan amount is \$25,000,000.

The maximum percentage of guarantee for loans up to \$600,000 is 85%. For loans greater than \$600,000 up to and including \$5,000,000 the maximum loan guarantee to be issued is 80%. For loans greater than \$5,000,000 up to and including \$10,000,000 a 70% guarantee will be issued. For loans greater than \$10,000,000 and less than \$25,000,000 a loan guarantee of 60% will be issued.

Project Equity

- For loans less than \$600,000, the borrower must demonstrate a cash equity injection of not less than 15% of the total eligible project costs.
- For loans greater than \$600,000 the borrower must demonstrate a cash equity injection of not less than 25% of eligible project costs.
- The fair market value of equity in real property that is pledged as collateral for the loan may be substituted to meet the cash equity requirement.

Project Loan Rates and Terms

The interest rate cannot exceed the lender's customary commercial interest rate as negotiated between the lender and the applicant.

The maximum loan terms available are as follows:

Working Capital: 7 years

Equipment: 20 years (Not to exceed useful life)

Real estate: 30 years (Not to exceed useful life)

Collateral

Collateral must have a documented value sufficient to protect the interest of the lender and the USDA. Personal or Corporate guarantees will be required by those owning greater than 20%. Passive investors will not be required to provide a guarantee.

Eligible Lender

Lender must be a local regulated lender such as any federal or state chartered bank, savings and loan association, building and loan association.

Fees

A nonrefundable guarantee fee will be paid by the lender to the USDA at the time the Loan Note Guarantee is issued. The guarantee fee to be charged will be equal to 1% of the guaranteed portion of the loan. This fee may be passed on to the borrower.

An annual renewal fee will be charged to the lender and will be required to maintain the guarantee. Currently this annual renewal fee is 0.25% and will be calculated based upon the borrower's principal balance as of December 31st of each year multiplied by the percentage of guarantee. This fee cannot be passed on to the customer.

Additional Information

Although applications are currently not being accepted for this program, now is the time to begin the technical reports of the project which is intended to be constructed. Please contact the following individuals to further discuss your proposed project:

Randy Monhemius
Business Program Specialist
614/255-2424
Randy.Monhemius@oh.usda.gov

Jim Cogan
Business & Cooperative Programs Director
614/255-2420
Jim.Cogan@oh.usda.gov

Rural Development
200 North High Street, Room 507
Columbus, OH 43215

Website:
<http://www.rurdev.usda.gov/rbs/farmbill/index.html>

“USDA is an equal opportunity provider, employer, and lender”. To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, 1400 Independence Avenue S.W., Washington D.C. 20250-9410, or call (800) 795-3272 (voice), or (202) 720-6382 (TDD).