

Rural Energy for America Program Renewable Energy & Energy Efficiency

What does this program do?

Provides guaranteed loan financing and grant funding to agricultural producers and rural small businesses to purchase or install renewable energy systems or make energy efficiency improvements.

Who may apply?

- **Agricultural producers with at least 50% of gross income coming from agricultural operations, and**
- **Small businesses in eligible rural areas.**

NOTE: Agricultural producers and small businesses must have no outstanding delinquent federal taxes, debt, judgment, or debarment.

What is an eligible area?

- Businesses must be in an area other than a city or town with a population of greater than 50,000 inhabitants and the urbanized area of that city or town. Check eligible business addresses.
- Agricultural producers may be in rural or non-rural areas.

How may the funds be used?

Funds may be used for the purchase, installation, and construction of renewable energy systems, such as:

- Biomass (for example: biodiesel and ethanol, anaerobic digesters, and solid fuels)
- Geothermal for electric generation or direct use
- Hydropower below 30 megawatts
- Hydrogen
- Small and large wind generation
- Small and large solar generation
- Ocean (tidal, current, thermal) generation

Funds may also be used for the purchase, installation, and construction of energy efficiency improvements, such as:

- High efficiency heating, ventilation, and air conditioning systems (HVAC)
- Insulation
- Lighting
- Cooling or refrigeration units
- Doors and windows

- Electric, solar, or gravity pumps for sprinkler pivots
- Switching from a diesel to electric irrigation motor
- Replacement of energy-inefficient equipment

What funding is available?

- Loan guarantees on loans up to 75% of total eligible project costs
- Grants for up to 25% of total eligible project costs
- Combined grant and loan guarantee funding up to 75% of total eligible project costs

What are the loan guarantee terms?

- \$5,000 minimum loan amount
- \$25 million maximum loan amount
- Up to 85% loan guarantee
- Rates and terms negotiated with the lender and subject to USDA approval
- Maximum term of 30 years for real estate
- Maximum term of 15 years, or useful life, for machinery and equipment
- Maximum term of 7 years for capital loans
- Maximum term of 30 years for combined real estate and equipment loans

What are the grant terms?

Renewable Energy System Grants:

- \$2,500 minimum
- \$500,000 maximum

Energy Efficiency Grants:

- \$1,500 minimum
- \$250,000 maximum

Are there additional requirements?

- Applicants must provide at least 75% of the project cost if applying for a grant only.
- Applicants must provide at least 25% of the project cost if applying for loan, or loan and grant combination.
- Projects greater than \$200,000 require a technical report.
- Energy efficiency projects require an energy audit or assessment.

How do we get started?

Applications for this program are accepted year round at your local RD office.

Who can answer questions?

Contact your State Rural Development Energy Coordinator.

What governs this program?

- Basic Program – 7 CFR 4280, Subpart B
- This program is authorized by Title IX of the Agricultural Act of 2018, (2018 Farm Bill).

Why does USDA Rural Development do this?

This program helps increase American energy independence by increasing the private sector supply of renewable energy and decreasing the demand for energy through energy efficiency improvements. Over time, these investments can also help lower the cost of energy costs for small businesses and agricultural producers.

NOTE: Because citations and other information may be subject to change, please always consult the program instructions listed in the section above titled “*What Governs This Program?*” You may also contact your local office for assistance. You will find additional forms, resources, and program information at rd.usda.gov. *USDA is an equal opportunity provider, employer, and lender.*

Business & Industry Guaranteed Loan Program

What does this program do?

This program bolsters the availability of private credit by guaranteeing loans for rural businesses.

Who may apply for this program?

Lenders with the legal authority, sufficient experience and financial strength to operate a successful lending program.

This includes:

- **Federal or State chartered banks**
- **Savings and loans**
- **Farm credit banks**
- **Credit unions**

What kind of businesses qualify for loan guarantees?

- For-profit business
- Nonprofits
- Cooperatives
- Federally recognized Tribes
- Public bodies
- Individuals

What is an eligible area?

- Any area other than a city or town with a population of greater than 50,000 inhabitants and the urbanized area of that city or town
- The borrower's headquarters may be based within a larger city as long as the project is located in an eligible rural area
- The lender may be located anywhere
- Projects may be funded in rural and urban areas under the Local and Regional Food System Initiative

Check eligible addresses for Business Programs

How may funds be used?

Eligible uses include but are not limited to:

- Business conversion, enlargement, repair, modernization, or development
- Purchase and development of land, easements, rights-of-way, buildings, or facilities

- Purchase of equipment, leasehold improvements, machinery, supplies, or inventory
- Debt refinancing when refinancing improves cash flow and creates or saves jobs
- Business and industrial acquisitions when the loan will create or save jobs

Guaranteed loan funds MAY NOT be used for:

- Lines of credit
- Owner-occupied housing
- Golf courses
- Racetracks or gambling facilities
- Churches, church-controlled organizations or charitable organizations
- Fraternal organizations
- Agricultural production, with certain exceptions

What collateral is required?

Collateral must have documented value sufficient to protect the interest of the lender and the Agency. The discounted collateral value will normally be at least equal to the loan amount. Lenders will discount collateral consistent with sound loan-to-value policy. Hazard insurance is required on collateral (equal to the loan amount or depreciated replacement value, whichever is less).

Business & Industry Guaranteed Loan Program

Maximum Advance Rates

- Real Estate: 80% of fair market value
- Equipment: 70% of fair market value
- Inventory: 60% of book value (raw inventory and finished goods only)
- Accounts Receivable: 60% of book value (less than 90 days)

What is the maximum amount of a loan guarantee?

- 80% for loans of \$5 million or less
- 70% for loans between \$5 and \$10 million
- 60% for loans exceeding \$10 million, up to \$25 million maximum

What are the loan terms?

- Maximum term on machinery and equipment is its useful life or 15 years, whichever is less
- Maximum term for real estate is 30 years
- Maximum term on working capital not to exceed 7 years
- Loans must be fully amortized; balloon payments are not permitted
- Interest-only payments may be scheduled in the first 3 years

What are the interest rates?

- Interest rates are negotiated between the lender and borrower, subject to Agency review
- Rates may be fixed or variable
- Variable interest rates may not be adjusted more often than quarterly

What are the applicable fees?

- There is an initial guarantee fee that is paid at the time the Loan Note Guarantee is issued
- There is an annual renewal fee on the outstanding balance of the guaranteed portion of the loan that is set by Rural Development at a rate published annually in the Federal Register
- Reasonable and customary fees are negotiated between the borrower and lender

What are the underwriting and security requirements?

- The proposed operation must have realistic repayment ability
- New enterprises may be asked to obtain a feasibility study by a recognized independent consultant
- The business and its owners must have a good credit history
- At loan closing/project completion, the business must have tangible balance sheet equity position of:
 - 10 percent or more for existing businesses, or
 - 20 percent or more for new businesses
- Personal and corporate guarantees are normally required from all proprietors, partners (except limited partners), and major shareholders (i.e., all those with a 20 percent or greater interest)

How do we get started?

- Applications are accepted from lenders through our local RD offices year round
- Interested borrowers should inquire about the program with their lender
- Lenders interested in participating in this program should contact the USDA Rural Development Business Programs Director in the state where the project is located

Who can answer questions?

Denise Salmeron, BP Director - (808) 933-8323
Shirley Heatherly, BP Specialist - (808) 600-2943
Jeffrey Wardwell, BP Specialist - (808) 933-8316
Anthony Barcinas, BP Specialist - (671) 300-8567

What governs this program?

- Basic Program: Code of Federal Regulation, 7 CFR 4279-A&B
- Loan Servicing: Code of Federal Regulation, 7 CFR 4287-B
- This program is authorized by the Consolidated Farm and Rural Development Act

NOTE: Because citations and other information may be subject to change, please always consult the program instructions listed in the section above titled "What Governs This Program?" You may also contact your local office for assistance. You will find additional forms, resources, and program information at rd.usda.gov. USDA is an equal opportunity provider, employer, and lender.

Value Added Producer Grant

What does this program do?

The Value Added Producer Grant program helps agricultural producers enter into value-added activities related to the processing and/or marketing of bio-based, value-added products. Generating new products, creating and expanding marketing opportunities, and increasing producer income are the goals of this program.

Who may apply for this program?

Independent producers, agricultural producer groups, farmer- or rancher-cooperatives, and majority-controlled producer-based business ventures are eligible to apply for this program.

How may funds be used?

Grant and matching funds can be used for planning activities or for working capital expenses related to producing and marketing a value-added agricultural product. Examples of planning activities include conducting feasibility studies and developing business plans for processing and marketing the proposed value-added product. Examples of working capital expenses include:

- Processing costs
- Marketing and advertising expenses
- Some inventory and salary expenses

How do I get started?

You need to read the [Federal Register notice](#) for the details on what is needed for an application. Make sure you start putting together the required information at least a month before the application deadline because you may need to provide letters of commitment or support from other organizations, a work plan and budget, and other information that will take you some time to look up or write. You may also need to fill out required forms. You can get copies of those forms from your nearest Rural Development Office.

Who can answer questions?

If you have questions, you can contact your nearest [RD Office](#).

Will I need to send any reports if I receive a grant?

If you receive a grant, you will need to send regular financial and performance reports. Your grant agreement will tell you how often you need to send the reports, what forms you need to use, and what information you need to put in the reports.

Where can I get more information?

In addition to many Federal regulations, the VAPG program has a regulation that is just for this program. It contains details about the program's purpose, what you can and can't do with grant money, application requirements, and information about how applications will be selected for funding. Remember that you need to read the Federal Register notice to get all the details about how to apply, but the program regulation also has useful information that you will need before applying for a grant.

What governs this program?

The VAPG program is authorized under section 231 of the Agriculture Risk Protection Act of 2000 (Pub. L. 106-224), as amended by section 6203 of the Agricultural Act of 2014 (Pub. L. 113-79) (see 7 U.S.C. 1632a).

NOTE: Because citations and other information may be subject to change, please always consult the program instructions listed in the section above titled "What Governs This Program?" You may also contact your local office for assistance. You will find additional forms, resources, and program information at rd.usda.gov. USDA is an equal opportunity provider, employer, and lender.