




# USDA Rural Development





“USDA Rural Development’s mission is to improve economic opportunity and enhance the quality of life in rural America.”



Committed to the future of rural communities.

# Rural Business and Cooperative Programs

1. Business & Industry Loan Guarantees
2. Rural Business Development Grant
3. Rural Economic Development Loans & Grants
4. Value-Added Producer Grants
5. Rural Energy for America Program
6. Rural Micro entrepreneur Assistance Program
7. Rural Energy for America Loan Guarantee

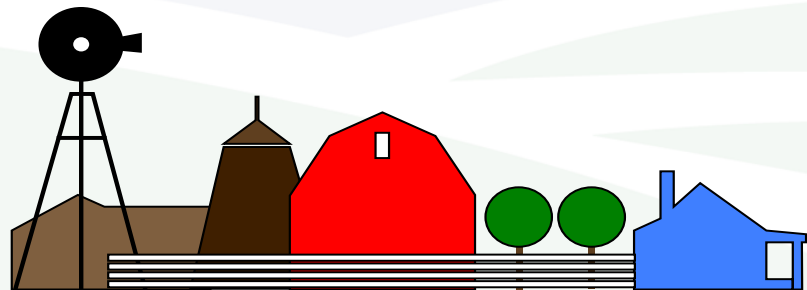
# Forms of Assistance

- Grants
- Loans
- Loan Guarantees
- Technical Assistance (TA)
- Industrial Development (ID)

# Rural Areas

A rural area is other than an urban area of 50,000 or more in population and its adjacent urbanized areas, as determined by the latest federal decennial census. Rural area determinations can be made by accessing the following website:

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

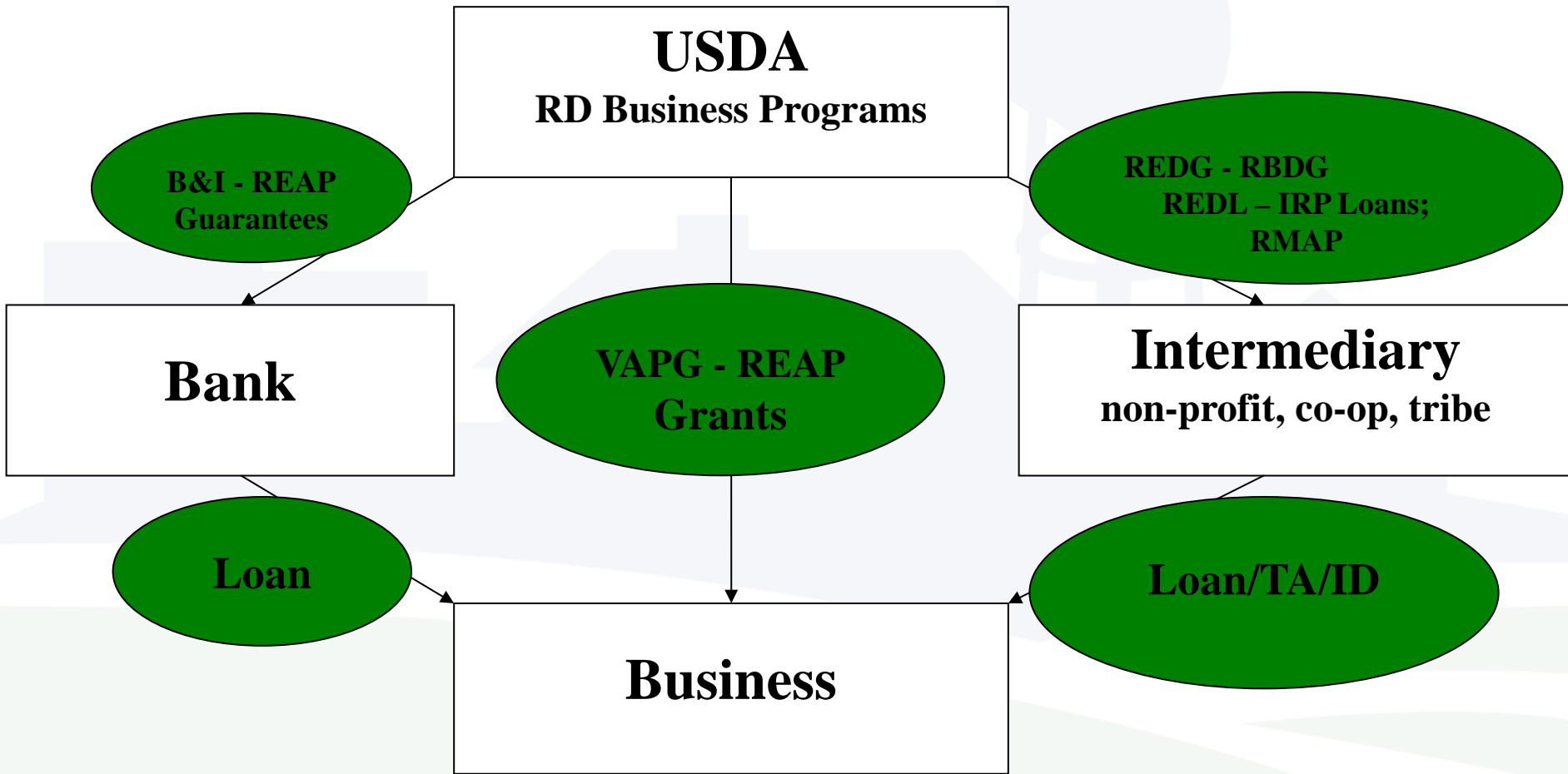


# Non-rural Areas

- Twin Cities area
- Duluth
- Rochester
- St. Cloud
- Moorhead

# Business & Industry Loan Guarantees (B&I)

- Quality loans are made by lenders to businesses which save or create jobs or improve the economic or environmental climate in rural areas.
  - USDA guarantees the loan
  - Upper loan limit of \$25 million (Currently \$10 million)
  - There is no lower limit





# Reasons for Guarantee

1. Risk reduction (startups, a large expansions, unproven products, inexperienced management, refinance).
2. Guaranteed portion does not count against loan limits. The bank would not have to find a participant for the loan.
3. The guaranteed portion can be sold in the secondary market, earning the bank a greater return on its investment.

# Maximum Percent of Guarantee

80% for loans up to \$5 million

70% for loans between \$5 and \$10 million; and

60% for loans above \$10 million.

High priority projects are eligible for guarantees of up to 90%.

# Guarantee Fees

- One-time, up-front fee of 3% of the amount guaranteed. On a \$1 million loan with an 80% guarantee, the fee would be  $\$800,000 \times 3\% = \$24,000$ .
- Annual fee of 1/2 of 1% of the guaranteed portion of the principal balance.

# Equity

- A minimum tangible balance sheet equity requirement of
  - 20% on a new business
  - 10% on an existing business
- Prepared in accordance with Generally Accepted Accounting Principles (GAAP).
- It is difficult to guarantee loans for radio or TV stations, dot-com companies, service-oriented businesses and businesses which are a transfer of ownership because of the tangible equity requirement.

# Tangible Balance Sheet Equity

\$ 900,000 tangible assets

100,000 goodwill

\$1,000,000 assets

\$800,000 debt

200,000 equity

\$1,000,000 debt & equity

200,000 (equity) – 100,000 (goodwill) = 100,000

1,000,000 (assets) – 100,000 (goodwill) = 900,000

11.1% tangible balance sheet equity

# Collateral

- Secure entire loan
- Sufficient after discounting
- Real property appraised in accordance with USPAP or FIRREA
- Collateral value is distinct from equity value

# Some of our Projects

car dealerships  
hog processing  
motorcycle mfg.  
hardware stores  
machine shops  
food processing  
airplane mfg.  
pool table mfg.  
convenience stores  
gas stations  
ethanol plants  
sugar beet plant  
cooperative stock  
paving stone mfg.  
sawmill

wild rice processing  
implement dealers  
farm elevators  
vegetable canning  
natural gas line extensions  
livestock auction facility  
commercial rental buildings  
hotels/motels  
farm implement mfg.  
internet service provider  
publishing company  
grocery stores & restaurants  
retail carpet  
auto parts supply  
hybrid corn processing and sales

# Ineligible Projects

- Housing owner-occupied or eligible for USDA rental assistance programs
- Most agricultural production
- Golf courses
- Debt refinance or transfer of ownership unless needed to save jobs
- Charitable, fraternal or church organizations
- Gambling
- Lease payments
- Balloons



	Applicant/Intermediary						
	Bank	For-profit	Non-profit	Public bodies	Educational	Co-op	Tribe
<b>B&amp;I</b>	<b>X</b>						
<b>RBEG</b>			<b>X</b>	<b>X</b>			<b>X</b>
<b>RBOG</b>			<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b>
<b>REDLG</b>		<b>X</b>				<b>X</b>	
<b>VAPG</b>		<b>X</b>				<b>X</b>	
<b>REAP</b>	<b>X</b>				<b>X</b>		
<b>RMAP</b>			<b>X</b>		<b>X</b>		<b>X</b>

	Type of Assistance			Match
	Grant	Loan	Guarantee	
<b>B&amp;I</b>			<b>x</b>	<b>10-20%</b>
<b>RBEG</b>	<b>x</b>			<b>None</b>
<b>RBOG</b>	<b>x</b>			<b>None</b>
<b>REDLG</b>	<b>x</b>	<b>x</b>		<b>20%</b>
<b>VAPG</b>	<b>x</b>			<b>None</b>
<b>REAP</b>	<b>x</b>		<b>x</b>	<b>25-75%</b>
<b>RMAP</b>	<b>x</b>	<b>x</b>		<b>15-25%</b>

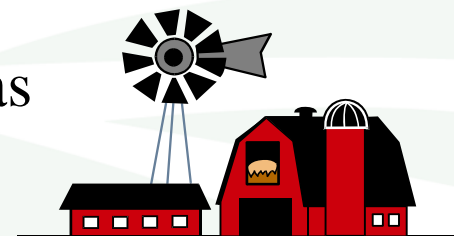
# Rural Energy for America Program (REAP)

- USDA program created in Title IX of the Farm Security and Rural Investment Act of 2002 (“the Farm Bill”).
- Assists farmers, ranchers and rural small businesses with renewable energy and energy efficiency projects.

# REAP

## Eligible Applicants:

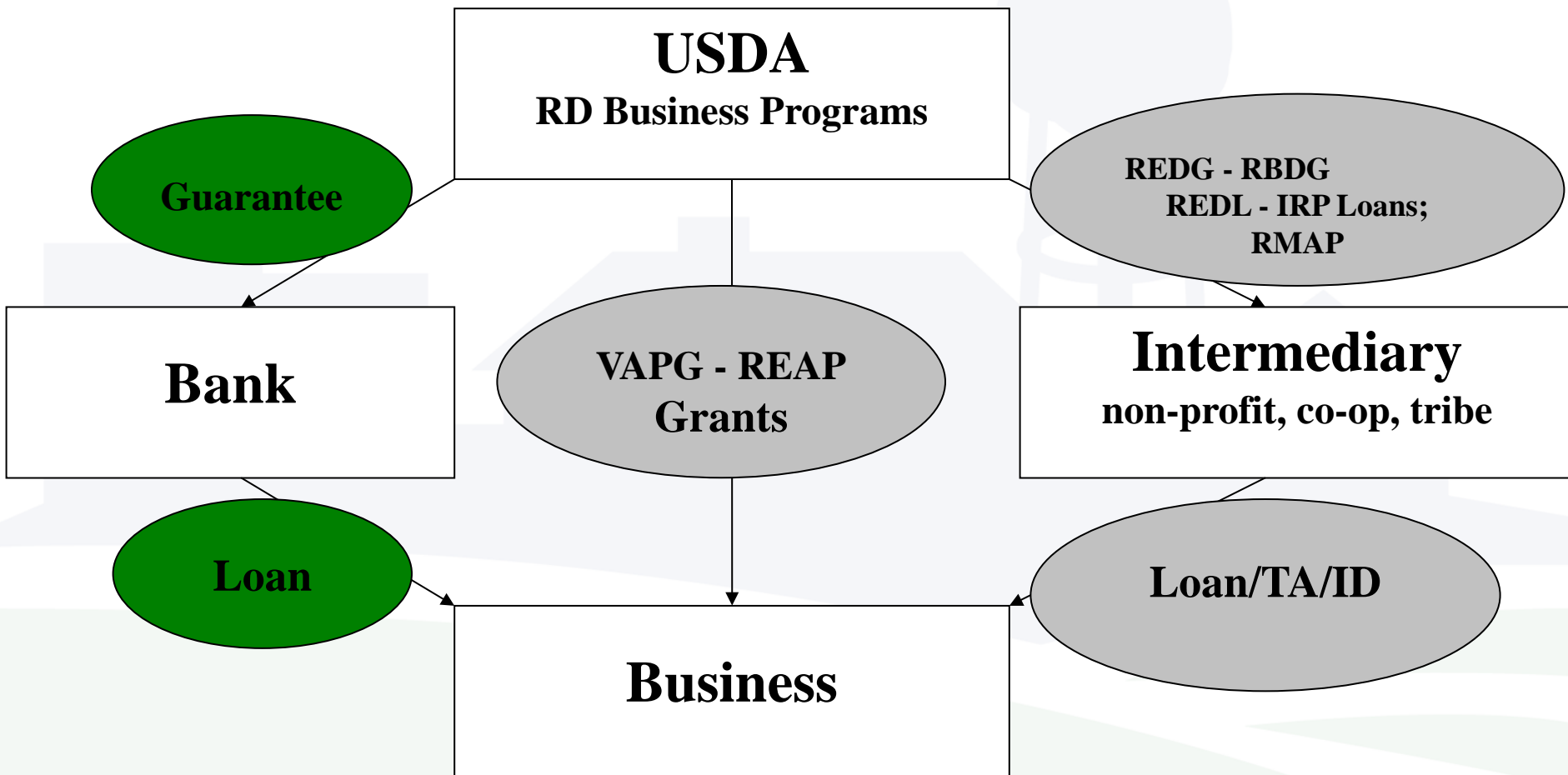
- Agricultural Producer
- Rural Small Business - meets SBA definition of small business (typically 500 or fewer employees and \$20 million or less in total annual receipts). Most non-profits, such as schools, are ineligible.



# REAP

Maximum Loan guarantee: \$25,000,000

Grants cannot exceed 25% of eligible project costs, or:  
\$500,000 (\$2,500 minimum) -- renewable energy  
\$250,000 (\$1,500 minimum) -- energy efficiency



# Rural Business Service Field Specialists

**Andrew Gag**  
809 8<sup>th</sup> St SE  
Detroit Lakes , MN 56501  
(218) 847-9392 x120  
[Andrew.Gag@mn.usda.gov](mailto:Andrew.Gag@mn.usda.gov)

**Thomas Leach**  
7118 Clearwater Road  
Baxter, MN 56425  
(218) 829-5965 x150  
[thomas.leach@mn.usda.gov](mailto:thomas.leach@mn.usda.gov)

**Paul Dornfeld**  
380 South Garfield Street  
Cambridge, MN 55008  
(763) 689-3354 x114  
[paul.dornfeld@mn.usda.gov](mailto:paul.dornfeld@mn.usda.gov)

**Paul Pierson**  
1567 North McMillian  
Worthington, MN 56187  
(507) 372-7784 x122  
[paul.pierson@mn.usda.gov](mailto:paul.pierson@mn.usda.gov)

**Naomi Lenz**  
1408 21st Avenue NW, Suite 3  
Austin, MN 55912  
(507) 437-8247 x159  
[naomi.lenz@mn.usda.gov](mailto:naomi.lenz@mn.usda.gov)



Committed to the future of rural communities.

# Further Information

- General information: [www.rurdev.usda.gov/rbs/busp/bpdir.htm](http://www.rurdev.usda.gov/rbs/busp/bpdir.htm)
- Minnesota web site: [www.rurdev.usda.gov/mn](http://www.rurdev.usda.gov/mn)
- E-forms: <http://www.rurdev.usda.gov/regs/formstoc.html>





# Rural Business-Cooperative Service (RBS)

## Guaranteed Loan Programs

	Business & Industry (B&I)	Rural Energy for America Program (REAP)
<b>MINIMUM LOAN</b>	No minimum	\$5,000
<b>MAXIMUM LOAN</b>	Maximum \$25 million and up to \$40 million on rural cooperative organizations that process value-added agricultural commodities	\$25 million or 75% of total eligible project costs, whichever is less (75% includes grant dollars received under REAP, if applicable)
<b>ELIGIBLE PURPOSES</b>	<ul style="list-style-type: none"><li>• Business and industrial acquisitions</li><li>• Purchase of land, machinery and equipment</li><li>• Construction, enlargement of modernization</li><li>• Eligible fees and costs</li><li>• Educational or training facilities</li><li>• Tourist facilities</li><li>• Hotels/motels</li><li>• Pollution control or abatement</li><li>• Recreation facilities</li><li>• Working capital</li><li>• Refinancing when it is determined that the project is viable and equal or better rates and terms are offered</li><li>• Commercially available energy projects that produce biomass fuel or biogas. (May include co-digestion of non-renewable feedstocks)</li><li>• Processing of locally/regionally produced Ag food products</li><li>• Loans to purchase stock issued by a cooperative organization</li></ul>	<p>Eligible projects are:</p> <ol style="list-style-type: none"><li>1. Installation of renewable energy systems such as solar photovoltaic, solar thermal, wind turbines, anaerobic digesters, biomass/bioenergy, geothermal, hydrogen, ocean energy, and small-hydroelectric</li><li>2. Energy efficiency improvements to buildings, equipment, and processes that reduce use of energy such as Heating, Ventilation, and Air Conditioning (HVAC), heat and heat recovery, combined heat and power, cooling/refrigeration, lighting, variable frequency drive or automated control updates, window replacement, motor conversions, insulation, power usage, etc.)</li></ol> <p>Eligible loan purposes include post application costs that are directly related to a commercially available renewable energy system and energy efficiency improvement, including:</p> <ul style="list-style-type: none"><li>• Purchase and installation of new or refurbished equipment</li><li>• Construction, retrofitting, replacement and project improvements</li><li>• Energy efficiency improvement identified in an energy assessment or energy audit</li><li>• Fees for construction permits and licenses</li><li>• Building/Equipment for existing renewable energy system</li><li>• Refinancing of outstanding debt (subject to conditions)</li></ul> <p>The following purposes cannot exceed more than 5% of the loan amount:</p> <ul style="list-style-type: none"><li>• Working capital</li><li>• Land acquisition</li><li>• Routine lender fees</li><li>• Energy Assessments, Energy Audits, technical reports, business plans, and Feasibility studies</li></ul>

	Business & Industry (B&I)	Rural Energy for America Program (REAP)
<b>INELIGIBLE PURPOSES</b>	<ul style="list-style-type: none"> <li>Relocate jobs or to expand a business where an excess of supply of the goods or services already exists</li> <li>Pay any distribution an owner or beneficiary who will continue in business</li> <li>Transfer the ownership of a business unless the transfer is necessary to keep the business from closing</li> <li>Finance inherently religious activities</li> <li>Finance agricultural production with the exception of specialized crops</li> <li>Finance golf courses, racetracks and gambling facilities</li> </ul>	<ul style="list-style-type: none"> <li>Residential projects</li> <li>Agricultural tillage equipment</li> <li>Used equipment</li> <li>Vehicles</li> <li>Lines of credit</li> <li>Lease payments</li> <li>Finance a project if the business operations derive income from activities of a sexual nature, illegal activities, or derive more than 10% of gross revenues from gambling activity</li> <li>Finance political or lobbying activities</li> <li>Finance a project that creates a conflict of interest or the appearance of a conflict of interest.</li> <li>Pay off any Federal direct or guaranteed loans or other Federal debts</li> </ul>
<b>ELIGIBLE BORROWERS</b>	Non-profit and for profit entities engaged or proposing to engage in a business that are located in rural area under 50,000 population	<ul style="list-style-type: none"> <li>Agricultural producers</li> <li>Small business located in rural area under 50,000 populations</li> </ul>
<b>GUARANTEE PERCENTAGE</b>	<ul style="list-style-type: none"> <li>80% maximum guarantee on loans up to and including \$5 million</li> <li>70% maximum guarantee on loans greater than \$5 million and up to and including \$10 million</li> <li>60% maximum guarantee loans greater than \$10 million</li> </ul>	<ul style="list-style-type: none"> <li>85% maximum guarantee on loans \$600,000 or less</li> <li>80% maximum guarantee on loans more than \$600,000 but less than \$5 million</li> <li>70% maximum guarantee on loans \$5 million up to and including \$10 million</li> <li>60% maximum guarantee loans greater than \$10 million</li> </ul>
<b>EQUITY</b>	<b>Tangible balance sheet equity requirement:</b> <ul style="list-style-type: none"> <li>10% for existing business</li> <li>20% for startup</li> <li>25-40% for energy projects</li> <li>Determined from balance sheets prepared in accordance with Generally Accepted Accounting Principles</li> </ul>	<b>Other funding requirement:</b> <ul style="list-style-type: none"> <li>25% of the total project cost</li> <li>Agricultural Producers can submit financial information in a format that is accepted by Agricultural Lenders</li> </ul>
<b>COLLATERAL</b>	<ul style="list-style-type: none"> <li>Real estate - 80% of appraisal value</li> <li>M&amp;E – 60-70% of appraised value</li> <li>Accounts Receivable/Inventory- 50% of book value</li> </ul>	<ul style="list-style-type: none"> <li>Real estate - 80% of appraisal value</li> <li>M&amp;E – 60-70% of appraised value</li> <li>Accounts Receivable/Inventory- 50% of book value</li> </ul>
<b>FEES</b>	<p><b>Guarantee fee:</b> 3% of the guaranteed portion of the loan payable to USDA Rural Development when the guarantee is issued</p> <p>-----</p> <p><b>Annual renewal fee:</b> 0.5%</p> <ul style="list-style-type: none"> <li>Based on the outstanding balance of the guaranteed portion of the loan as of December 31<sup>st</sup>.</li> </ul>	<p><b>Guarantee fee:</b> 1% of the guaranteed portion of the loan payable to USDA Rural Development when the guarantee is issued</p> <p>-----</p> <p><b>Annual renewal fee:</b> 0.25%</p> <ul style="list-style-type: none"> <li>Based on the outstanding balance of the guaranteed portion of the loan as of December 31<sup>st</sup>.</li> </ul>
<b>TERMS</b>	<ul style="list-style-type: none"> <li>30 years for real estate</li> <li>15 years or useful life of equipment</li> <li>7 years for working capital</li> </ul>	<ul style="list-style-type: none"> <li>30 years for real estate</li> <li>15 years or useful life of equipment</li> <li>7 years for working capital</li> </ul>