



USDA Rural Development’s Business & Cooperative Programs

USDA Rural Development delivers a variety of assistance to rural businesses and communities. All of them work in financial partnership with local economic organizations – banks and lenders, economic development groups, local revolving loan funds, universities, cities, counties, tribes, and utility cooperatives. Several of the programs assist rural small business (including farmers & ranchers) directly.

USDA Program	Total Funds Available <i>estimate FY2009</i>	Purpose (What is the program’s goal?)	Program Type (How does it work?)	Eligible Applicants (Who can apply?)	Eligible Areas (What is rural?)	Authorized Purposes (What can funds be used for?)	Typical Amount of Assistance	Rates & Terms (rates subject to change)	Key to Success	When to Apply
B&I Guarantee Business & Industry Guaranteed Loan	\$993MM (\$21.9 MM SC allocation) + \$2,990MM ARRA	Provide an <u>incentive for business lending</u> that will <u>save & create jobs</u> (typically for larger businesses)	USDA <u>guarantees</u> business loans made by banks	Banks and other commercial lenders who make loans to rural businesses	Areas outside the urbanized edge of cities of >50,000 population	The loans guaranteed can be used for real estate, equipment, working capital, & refinancing – for nonfarm businesses	80% loan guarantees for loans of \$200,000 to \$5MM; 70% on loans up to \$10MM	Negotiated by business & lender. Fixed or variable rates, typically near Prime (No balloons)	<u>Lender-driven:</u> There must be a bank willing to make the loan. (USDA only guarantees the loan.) Business with strong equity & collateral.	Year round
IRP Intermediary Relending Program	\$33.5 MM (No separate SC allocation)	Capitalize <u>locally-run revolving loan programs</u> for small businesses unable to qualify for bank financing	USDA loans money to a local revolving loan fund for relending to nonfarm businesses	Nonprofit economic development groups, tribes, & public bodies (e.g., cities) who will make loans to rural businesses	Unincorporated areas & ≤25,000 population cities	The loans must be used to set up a loan program to make business loans for real estate, equipment, working capital, & refinancing – for nonfarm businesses	\$300,000 - \$750,000 loans to re-lenders to make loans up to \$150,000 to businesses	1%, 30 years to re-lender ... to make loans at near-Prime to rural businesses	Funding is limited, so these loans tend to go only to loan funds that will serve the neediest areas.	Year round. Quarterly competition at national level
RBEG Rural Business Enterprise Grant	\$38.7 MM (\$625,768 SC allocation) + \$20 MM ARRA	Support economic development projects that will <u>assist specific small & emerging private businesses</u>	USDA makes grants to local economic development groups to assist private business development	Nonprofit economic development groups, tribes, and public bodies (e.g., cities or counties)	Areas outside the urbanized edge of cities of >50,000 population	The grant can be used to do a <u>feasibility study</u> , provide <u>technical assistance</u> to businesses, provide <u>job training</u> , set up a <u>revolving loan fund</u> , or develop <u>infrastructure</u> .	<\$25,000	Grant	Funding is limited, so these grants tend to go only to the neediest areas. Grant funds cannot be used for regional planning or business attraction projects.	Once-a-year. Annual competition at state level
RBOG Rural Business Opportunity Grant	\$2.5 MM (No separate SC allocation)	Support <u>economic development planning</u>	USDA makes grants to support general economic growth & planning	Nonprofit economic development groups, tribes, and public bodies (e.g., cities or counties)	Unincorporated areas & <50,000 population cities	The grant can be used to do <u>regional planning</u> , <u>develop area economic strategies</u> , provide <u>technical assistance</u> to businesses, and develop local <u>leadership</u>	<\$50,000	Grant	Funding is limited, so these grants tend to go only for projects helping the neediest areas.	Once-a-year. Annual competition at national level
SMPG Small Minority Producer Grant	\$1.4 MM (No separate SC allocation)	Foster business <u>success of coops of small, minority agricultural producers</u>	USDA makes grants for technical assistance projects	Coops with ≥75% women or minority membership assisting small, minority producers	Areas outside the urbanized edge of cities of >50,000 population	The grant can be used for <u>feasibility or market studies</u> , <u>product improvement</u> , <u>training</u> or <u>legal</u> advice.	≤\$175,000	Grant	Preference for experience & projects that help the most farmers & smaller, poorer communities.	Once-a-year. Annual competition at national level
VAPG Value-Added Producer Grant	\$18 MM (No separate SC allocation)	Support producers in <u>ventures that will increase the return on their agricultural commodities</u> .	USDA provides matching grants for value-added ventures	Farmers, ranchers, foresters, fishers – inc. coops, agricultural producer groups, & joint ventures	No rural area requirement.	Grants for planning or working capital to operate value-added ventures, including on-farm renewable energy. Minimum 1:1 match required.	≤\$100,000 (planning); ≤\$300,000 (working capital)	Grant	Application requirements are complex, so consult with USDA well in advance of application deadline.	Once-a-year. Annual competition at national level

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REAP Renewable Energy & Efficiency Grant	\$52.0MM \$365,040 SC allocation	Financing for <u>renewable energy generation systems or energy efficiency improvements</u>	USDA makes grants to small rural businesses & farmers	Rural small businesses (using SBA definition) & agricultural producers	Areas outside the urbanized edge of cities of >50,000 population	Grants for renewable energy systems (wind, biomass, biofuel, digesters, solar, geothermal, & micro-hydro); for purchase & installation of business energy efficiency	\$500,000 for renewables; ≤\$250,000 for efficiency (not to exceed 25% of project cost).	Grant	Application requirements can be complex, so consult with USDA well in advance of application deadline. ≤ \$20,000 grants strongly favored!	Applications invited annually in the spring; award via national competition
REAP Energy Guarantee Rural Energy Guaranteed Loan	\$43.0MM \$1.25 MM SC allocation	Provide <u>incentive for business lending for renewable energy or energy efficiency improvements</u>	USDA <u>guarantees</u> business loans made by banks to small businesses & agricultural producers	Banks and other commercial lenders who make loans to rural businesses	Areas outside the urbanized edge of cities of >50,000 population	The loans guaranteed can be used for the purchase & installation of renewable energy systems or for energy efficiency improvements	85-60% loan guarantees on \$50,000 to \$25MM loans.	Negotiated by business & lender. Fixed or variable rates, typically near Prime (No balloons)	<u>Lender-driven</u> : There must be a bank willing to make the loan that USDA guarantees. May be combined with a REAP grant.	Year round
REAP Energy Audit Grant	\$2.4 MM (No separate SC allocation)	Support the cost of conducting energy audits for small rural businesses & farmers	USDA makes grants to support the cost of providing rural business energy audits	State or local governments, tribes, colleges, or electric coops & publicly owned utilities	Area served must be outside the urbanized edge of cities of >50,000 population	Grants to defray part of the cost of conducting detailed energy audits for rural businesses (business is expected to pay 25% of audit cost)	≤\$100,000	Grant	Very competitive national awards. Experienced, multi-county or statewide programs favored; programs with cost per audit of ≤\$2,000	Twice-a-year. Annual competition at national level
\$9003 Biorefinery Assistance Guaranteed Loans	\$225 MM (No separate SC allocation)	Provide an <u>incentive for business lending</u> that will finance for <u>advanced biofuel commercialization</u>	USDA <u>guarantees</u> business loans made by banks to non-corn starch ethanol biorefineries	Banks and other commercial lenders who make loans to rural businesses	Area served must be outside the urbanized edge of cities of >50,000	The loans guaranteed can be used for development of commercial-scale biorefineries producing advanced biofuels	80% on loans up to \$80MM; 70% on loans to \$125MM; \$60% on loans \$250MM	Negotiated by business & lender. Fixed or variable rates, typically near Prime (No balloons)	Technically superior proposals that commercialize emerging technologies; strong feasibility study	Once-a-year. Annual competition at national level
RED Loan Rural Economic Development Loan	\$37 MM (No separate SC allocation)	Promote specific <u>community or business development projects</u> improving the local economy	USDA makes loans to certain utilities that are in turn re-loaned for local community or business projects	Electric & telephone utilities financed by USDA's Rural Utilities Service.	Areas outside the urbanized edge of cities of >50,000 population	The RED Loan is reloaned by the coop to a nonfarm business for real estate & equipment.	\$740,000 loan maximum	Loan is zero%, 10 years, which is in turn reloaned at zero%, 10 years.	Requires a community-oriented utility coop that is willing to borrow & relend on the project's behalf.	Year round. Quarterly competition at national level
RED Grant Rural Economic Development Grant	\$10 mm (No separate SC allocation)	Promote specific <u>community development projects</u> to improve the rural economy	USDA makes grants to certain utilities to capitalize a revolving loan fund for community projects.	Electric & telephone utilities financed by USDA's Rural Utilities Service.	Areas outside the urbanized edge of cities of >50,000 population	The RED Grant is used to set up a <u>revolving loan fund</u> . At first, loans must be for community facility, education or health care projects	\$300,000 grant maximum	Grant. Loans from revolving loan fund must initially be reloaned at zero%; revolved funds are reloaned at ≤Prime.	Requires a community-oriented utility coop that is willing to oversee a loan fund. Requires 20% match.	Year round. Quarterly competition at national level
RCDG Rural Coop Development Grant	\$4 MM (No separate SC allocation)	Support centers to assist cooperatives	USDA makes grants to centers for rural cooperative development	Universities and nonprofit economic development groups	Areas outside the urbanized edge of cities of >50,000 population	Grants are used to operate Centers that assist rural cooperatives.	\$250,000 – ≤\$300,000	Grant	Funding is limited, so these grants tend to go only for projects helping the neediest areas.	Once-a-year. Annual competition at national level

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