



## Water and Waste Disposal Loan and Grant Program

### Overview

#### Program Goal

Provide affordable financial assistance for improving water and waste disposal systems, solid waste disposal systems, and storm drainage systems in rural communities, thereby:

- \* Promoting rural economic development.
- \* Developing and improving public health and safety and overall quality of life.

#### Type of Assistance

**Loans** - low interest rate loans.

**Grants** - grants **may** be made in conjunction with loans to reduce water and waste disposal user costs to a reasonable level.

#### Amount of RUS Financial Assistance

There are no minimum or maximum amounts. However, limits may exist depending on availability of funds and/or project feasibility. RUS cooperates fully with State and local agencies and other financial institutions in providing needed financing.

#### Interest Rate, Term, Payment Structure, and Fees

Rate: Fixed rate loans. Rates are currently around 5%. The actual rate depends upon the community's Median Household Income and whether the project is necessary to meet health or sanitary standards.

Terms: Maximum term is 40 years.

Structure: Typically semiannual payments are required; one being interest only and the Other being principal and interest. There are no prepayment penalties for early payment.

Fees: No fees. Borrower may be required to fund a payment reserve account by depositing one-tenth of their annual payment into a special reserve account each year.

#### Authorized Loan/Grant Purposes

All facilities financed shall be for public use. Loan and grant funds may be used to 1) construct, enlarge, extend, or otherwise improve rural water, sanitary sewage, solid waste disposal, and storm wastewater disposal facilities, 2) pay reasonable fees and costs such as legal, engineering, and other necessary costs such as fiscal advisory or environmental analyses, 3) pay costs of acquiring land and rights, 4) purchase or lease equipment, 5) pay utility connection charges as provided in service contracts between utility systems, and 6) other improvements or costs necessary for the successful operation of eligible facilities.

#### Limitations

Only loan funds (grant funds may not be used) may be used for 1) interest on construction financing, 2) initial operating expenses, 3) purchase of existing facilities, and 4) refinancing of eligible debts.

## **Eligibility**

- Eligible Applicants: Public bodies, organizations operated on a not-for-profit basis, and Indian Tribes.
- Eligible Facilities: Loan and Grant funds may be used to finance only that portion of a facility serving rural areas. Rural area means any area not in a city of town with a population in excess of 10,000 inhabitants, according to the latest decennial Census of the United States.
- Eligible Projects: Projects must be designed and constructed to serve the present population and reasonable growth needs of the area.
- Credit Elsewhere: Applicants must certify in writing that they are unable to finance the proposed project from their own resources or through commercial credit at reasonable rates and terms. RUS debt instruments will require an agreement that if at any time it shall appear that the borrower is able to refinance the amount of the indebtedness by obtaining a loan for such purposes from other credit sources at reasonable rates and terms that, upon request by the Government, apply for and accept such loan in sufficient amount to repay the Government debt.
- Legal Authority: Applicants must have or will obtain legal authority necessary to own, construct, operate, and maintain the proposed facility.
- Feasibility: All projects must be based on taxes, assessments, income, fees, or other satisfactory sources of revenues in an amount sufficient to provide for the successful facility operation, maintenance, and debt repayment.

## **Underwriting and Security Requirement**

The proposed operation must have realistic repayment ability. Bonds or notes pledging taxes, assessments, or revenues may be accepted as security or a mortgage may be taken on facilities when State laws permit. Public bodies are typically required to obtain the services of recognized bond counsel in the preparation of the security instruments. For projects involving construction, applicants are typically required to obtain interim construction financing from other sources.

## **Other Requirements**

- Contracting: Planning, designing, bidding, contracting, construction, and inspections shall be conducted in accordance with RUS requirements. Minority and women-owned contractors shall be notified and encouraged to participate in the bidding process.
- Environmental: Facilities financed with RUS funds must undergo an environmental impact analysis in accordance with RUS requirements.
- Nondiscrimination: Borrowers must agree to comply with appropriate nondiscrimination laws. Services funded by RUS must be extended without regard to race, color, national origin, sex, religion, age, disability, political beliefs, or sexual orientation or marital or familial status.

## **Overview**

Potential applicants are encouraged to contact their local USDA , Rural Development Area Office at the early planning stages of their project to discuss application processing.

Applicants may elect to file a complete **Application**, including engineering and environmental reports OR make a request for an eligibility determination prior to incurring significant expenses by filing a **Preapplication**.

USDA then meets with applicant representatives at the project site to gather information needed to make a preliminary determination of the project's financial and environmental acceptability.

Upon receipt and processing of a complete Application, RUS may approve the financing by issuing a Letter of Conditions, which is a conditional commitment to make a loan/grant.

Loans and grants are closed after it has been determined that all conditions have been met.