



Committed to the future of rural communities.

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## RURAL BUSINESS-COOPERATIVE PROGRAMS

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### RENEWABLE ENERGY GUARANTEED LOAN PROGRAM

*Congress passed the Rural Energy for America Guaranteed Loan Program as part of Section 9007 of the 2008 Farm Bill to foster rural economic development and growth. The program provides financial assistance in the form of a guaranteed loan to agricultural producers & rural small businesses to purchase renewable energy systems or to make energy efficiency improvements.*

#### Need for Program

The primary purpose of the Rural Energy for America Program is to provide financial assistance for the purpose of purchasing and installing renewable energy systems and energy efficiency improvements in rural areas.

#### Benefits to Applicants

- Higher loan amounts, stronger loan application, less equity injection, & longer repayment terms assist businesses that may not qualify for conventional lender financing.
- Assists in meeting energy demands by making energy efficiency improvements or installing renewable energy systems.

#### Benefits to Lenders

- Provides another tool to expand lender's loan portfolio.
- Improves economic and environmental living climate in rural communities.
- Guaranteed portion can be sold to enhance liquidity and increase profitability while limiting financial exposure.
- Allows lender to make loans above its loan limits.

#### Eligible Areas

Loans can be guaranteed in cities up to 50,000 population.

#### Eligible Borrowers

- Must be an agricultural producer or rural small business. Agricultural producer-individual or legal entity that receives at least 50% of its gross income from ag production. Entity-small business in accordance with Small Business Administration's (SBA) size standards by NAICS code. (<http://www.sba.gov/size/index.html>).
- Applicant must own the project and control its' revenues and expenses.
- Applicant must have site control.

#### Eligible Lenders

Most lenders are eligible, including national and state-chartered banks, Farm Credit System banks and savings and loan associations. Other lenders may be eligible if approved by USDA.

#### Eligible Project Costs

- Post-application purchase and installation of equipment (new, refurbished or remanufactured)
- Post-application construction or improvements
- Energy audits or assessments
- Permit or license fees
- Professional service fees
- Feasibility studies and technical reports
- Business plans
- Retrofitting
- Construction of a new energy efficient facility only when the facility is used for the same purpose, is approximately the same size, and based on the energy audit will provide more energy savings than improving an existing facility.
- Working capital
- Land acquisition

#### Ineligible Project Costs

- Agricultural tillage equipment, used equipment and vehicles
- Residential construction or improvements
- Fees associated with application preparation
- Refinancing
- Lines of Credit

#### Minimum and Maximum Loan Amount

Loans will not exceed 75% of total eligible project costs. Minimum guaranteed loan amount to a borrower is \$5,000 and maximum amount is \$25 million.

#### Loan Guarantee Limits

Maximum percentage applies to the entire loan.

- 85% for loans of \$600,000 or less
- 80% for loans greater than \$600,000 up to \$5 million
- 70% for loans greater than \$5 million up to \$10 million
- 60% for loans greater than \$10 million up to \$25 million

Percentage of guarantee based on:

- Borrower management
- Collateral
- Financial condition
- Lender's exposure
- Trends and conditions

#### Loan-to-Appraised Market Value Ratios

Maximum loan-to-appraised market value ratios are typically:

- 80% Real estate
- 60% Accounts receivable
- 60% Inventory
- 70% Machinery/Equipment

Specialized collateral warrants additional discounts and less advance rates.

## Interest Rate

Interest rates may be fixed or variable. The rate is negotiated between the lender and borrower and will not be more than those rates customarily charged to other borrowers in similar circumstances. The variable rate must be tied to a nationally published rate. Variable rates cannot be adjusted more than quarterly.

## Borrower Equity Requirements

For loans \$600,000 or less, borrower to demonstrate evidence of cash equity injection in the project of not less than 15% of eligible project costs. Loans over \$600,000, borrower to show evidence of cash equity injection in the project of not less than 25% of eligible project costs. Fair market value of equity in real property pledged as loan collateral may be substituted in whole or part to meet the cash equity requirement.

## Maximum Repayment Terms

- Working Capital - 7 years
- Machinery and Equipment - 20 years or useful life
- Real Estate - 30 years
- Combined real estate and machinery & equipment must not exceed 30 years

## Fees and Costs

There is a one-time guarantee fee not to exceed 1% of the guaranteed principal amount and an annual renewal fee. The annual renewal fee rate is established in an annual notice published in the Federal Register. The lender pays the fees. The fees may be passed on to the borrower. Other typical lender costs may be incurred.

## Feasibility Studies and Technical Reports

Renewable Energy projects with total project costs over \$200,000 require a business-level feasibility study. The study, completed by an independent, qualified consultant will include an evaluation of economic, market, technical, financial and management feasibility. Renewable Energy projects and Energy Efficiency projects require a technical report. The technical report must demonstrate the project design, procurement, installation, start-up, operation, and main-tenance of the renewable energy system or energy efficiency improvement and its ability to perform, as specified, in a reliable and cost-effective manner over its design life.

## Appraisals

An appraisal report prepared by an independent, qualified fee appraiser will be required on property that will serve as collateral. Appraisals will be made in accordance with the accepted format and standards of the industry. Specialized appraisers required.

## Collateral

All collateral must secure the entire loan. Discounted collateral value will normally be at least equal to the loan amount. Unconditional personal and corporate guarantees for those owners with an interest greater than 20% are required.

## USDA Evaluation of Applications

- Borrower eligibility
- Project eligibility
- Project has technical merit
- Reasonable assurance of repayment ability
- Sufficient collateral and equity
- Compliance with all applicable statutes and regulations

## Preapplication

USDA Rural Development strongly encourages the lender to submit a preapplication in order for the Agency to make a preliminary eligibility determination before the lender submits a full application. USDA Rural Development will make a preliminary eligibility determination within 10 days upon receipt of a completed preapplication. A preapplication guide may be requested from any USDA Rural Development Office.

## For More Information

For more information contact Rural Development at:

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National Office Web site: <http://www.rurdev.usda.gov/rbs>  
Rural Development Toll Free: (800) 670-6553  
Nebraska Rural Development Web site: <http://www.rurdev.usda.gov/ne>  
Nebraska State Office Telephone Number: (402) 437-5551  
Nebraska State Office Facsimile Number: (402) 437-5408  
Nebraska State Office TDD Number: (402) 437-5093

*“USDA Rural Development is an Equal Opportunity provider, employer and lender.” To file a complaint of discrimination write to 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).*

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