



# Rural Energy for America (Section 9007) Application and Processing

# Program Regulation

## RD Instructions:

- 4280 – B (primary REAP regulation)
- References to:
  - 4279 – A
  - 4279 – B
  - 4287 – B

# How to submit a loan application

- Contact the Energy Coordinator in your local Rural Development Business Programs Office (click [HERE](#) for office locations), or go to:
  - [http://www.rurdev.usda.gov/BCP\\_Energy\\_CoordinatorList.html](http://www.rurdev.usda.gov/BCP_Energy_CoordinatorList.html)
- It is recommended to screen the loan with a USDA Energy Coordinator before getting too far along in the process

# Application

- Lenders must complete and sign Form 4279-1
- If the loan is under \$600,000, lenders can choose to use the short form, Form 4279-1 A
- The application must include several other items that are listed in the next slides

# Application Documentation

- Personal Credit Reports
  - Required on all parties with 20% or more ownership and a Commercial Credit Report for existing businesses
  - Does not include passive investors or corporations listed on a major stock exchange
- Commercial Credit Reports
  - Obtained by the lender on the borrower and any parent, affiliate, and/or subsidiary firms

# Application Documentation, con't

## Appraisals

- Completed appraisals to be submitted with application
- If not completed at time of application filing, applicant must submit an estimated appraisal
- In all cases, appraisal must be complete prior to loan closing

# Application Documentation, con't

- Current personal and corporate financial statements of any guarantors
- Business-level feasibility study
- Technical Report
  - Complexity dependent on technology type/size
- Lender's complete comprehensive written analysis of project
- Lender certification

# Application Documentation, cont.

## Financial Statements

- Historical financial statements, prepared in accordance with GAAP for the past 3 years
  - can use format acceptable to commercial agricultural lenders (Ag Producers)
- A current Balance Sheet and Income state statement not more than 90 days old (GAAP format)
  - can use format acceptable to commercial agricultural lenders (Ag Producers)
- Pro forma financial statements
  - First 3 years of stabilized operation

# Proposed Loan Agreement

- Proposed loan agreement must be submitted as part of the application package
- Proposed loan agreement must address the following items:

# Proposed Loan Agreement, con't

- Prohibition against assuming liabilities or obligations of others
- Restriction on dividend payments
- Limitation on the purchase or sale of equipment and fixed assets
- Limitation on compensation of officers and owners

# Proposed Loan Agreement, con't

- Minimum working capital or current ratio requirement
- Maximum debt-to-net worth ratio
- Restrictions concerning consolidations, mergers, or other circumstances
- Limitations on selling the business without the concurrence of the lender

# Proposed Loan Agreement, con't

- Repayment and amortization of the loan
- List of collateral and lien priority for the loan including a list of persons and corporations guaranteeing the loan

# Proposed Loan Agreement, con't

- Type and frequency of financial statements to be required for the duration of the loan
- The final Loan Agreement between the lender and borrower will contain any additional requirements imposed by the Agency in its Conditional Commitment

# Proposed Loan Agreement, con't

- A reserved section for any Agency environmental requirements
- Provision for the lender or Agency to have reasonable access to the project and its performance information during its useful life, or term of the loan (whichever is longer)

# Loan Review

- The Rural Development Energy Coordinator and/or Loan Specialist will meet with the lender
- Loan specialist will underwrite the loan and present the loan to committee for approval
- Environmental review must be complete before final approval

# Environmental Review

- REAP assistance is subject the National Environmental Policy Act (NEPA) and other federal guidelines designed to assure that federally-supported projects do not harm the environment
- USDA must complete an environmental analysis on all REAP guaranteed loan projects

# Three Levels of USDA Review/ Approximate Time Frames

- **Categorical Exclusion:**
  - Minimal time delays
- **Class I:**
  - Could take 30 days depending on project. Often is started prior to receiving all info from bank
- **Class II:**
  - Could take more than 60 days depending on project

# Likely Environmental Review by Technology

Technology	Likely level of Environmental Review
Biomass, Bioenergy	CatEx, or Class I EA if historic properties involved
Anaerobic Digester	Class I if energy produced is for farm use only Class II EA if energy produced is for commercial use
Blender Pumps	CatEx; possible Class I EA with new tank installation
Geothermal, electrical generation	Class I EA or Class II EA
Geothermal/Direct Use	CatEx
Hydrogen Production	Class I EA
Hydrogen energy transport	CatEx
Solar/Photovoltaic	CatEx
Solar/Thermal	Small - Class I EA Large – Class II EA
Wind/Small – (<120 ft. hub)	Class I EA
Wind/Large	Class II EA
Energy Efficiency	CatEx
Ocean, Tidal, Micro hydro	

# Key to Environmental Process

- Talk to Rural Development Energy Coordinator early in the project
- If there are specific concerns they can be vetted up front

# Construction

## Lender responsibilities:

- Review plans and specs
- Use borrower funds first
- Obtain performance bond on contractor
- Monitor construction - cost overruns

# Loan Approval

- Availability of loan guaranteed funding announced via Notice
  - Generally 30 – 60 day approval, if funds are available
  - Dependent upon complexity of project
- Once loan is approved, a Conditional Commitment (Form 4279-3) is issued that sets forth Agency requirements and conditions that must be met