



Rural Utility Programs

Water and Waste Disposal Programs

PURPOSE

The Water and Waste Disposal Programs provide loans and grants for water, sewer, storm water, and solid waste disposal facilities in cities and towns up to 10,000 people and rural areas with no population limits. There are two main programs that provide financial and technical assistance for development and operation of safe and affordable water supply systems and sewage and other forms of waste disposal facilities: the Water and Waste Disposal Loans and Grants program and the Emergency Community Water Assistance Grants program.

WATER AND WASTE DISPOSAL LOANS AND GRANTS

ELIGIBLE APPLICANTS

- ❖ Recipients must be public entities. These can include municipalities, counties, special purpose districts, Indian tribes, and corporations not operated for profit, including cooperatives. A new entity may be formed to provide the needed service if an appropriate one does not already exist.
- ❖ Applicants must:
 - (1) Be unable to obtain needed funds from commercial sources at reasonable rates and terms.
 - (2) Have the legal capacity to borrow and to repay loans, to pledge security for loans, and to operate and maintain the facilities.
 - (3) Propose facilities that are consistent with any development plans of the State, multijurisdictional area, counties, or municipalities where the project is to be located. All facilities must comply with Federal, State, and local laws, including those involving zoning regulations, health and sanitation standards, and water pollution control.

- ❖ Grants may be provided when necessary to reduce user costs to a reasonable level. They may cover a maximum of 75 percent of eligible facility development costs.
- ❖ Loan guarantees may be available for up to 90 percent of any eligible loss incurred by the lender. Lenders pay a 1 percent guarantee fee, which may be passed on to the loan recipient.
- ❖ Direct loans and/or grants have been set aside for:
 - (1) Areas designated Empowerment Zones/Enterprise Communities and Rural Economic Area Partnership Zones.
 - (2) Certain projects where at least 50 percent of the users of the facility/project are Native Americans
 - (3) Communities along the U.S.-Mexico border designated as “colonias”
 - (4) Rural Alaskan villages
 - (5) Water emergencies and disaster relief

ELIGIBLE USES

- ❖ Loan and grant funds may be used to:
 - (1) Construct, repair, modify, expand, or otherwise improve water supply and distribution systems and waste collection and treatment systems, including storm drainage and solid waste disposal facilities. Certain other costs relate to development of the facility may also be covered.
 - (2) Acquire needed land, water sources, and water rights.
 - (3) Pay costs such as legal and engineering fees when necessary to develop the facilities

LOAN TERMS

- ❖ The law authorizing the program allows a maximum repayment period of 40 years. However, the repayment period cannot exceed the useful life of the facilities financed or any statutory limitation on the applicant’s borrowing authority.

INTEREST RATE

- ❖ Three interest rates are used. They are set periodically based on an index of current market yields for municipal obligations. The most current rates are available on the RUS Water and Environmental Programs Home Page on the Internet at <http://www.usda.gov/rus/water/>.
 - (1) Poverty Rate – The poverty interest rate is currently 4.5 percent. The poverty rate applies when:
 - (a) The primary purpose of the loan is to upgrade existing facilities or construct new facilities required to meet applicable health or sanitary standards; and
 - (b) The median household income (MHI) of the service area is below the poverty line for a family of four or below 80 percent of the Statewide Nonmetropolitan MHI (SNMHI).
 - (2) Market Rate – The market rate is set quarterly based on the average of the “Bond Buyer” 11-Bond Index over a four week period prior to the beginning of the quarter. It applies to loans for projects where the MHI of the service area exceeds the SNMHI.
 - (3) Intermediate Rate – The intermediate interest rate is the poverty rate plus half of the difference between the poverty rate and the market rate, not to exceed 7 percent. It applies to loans that do not meet the criteria for either the poverty rate or the market rate.
- ❖ Borrowers may choose the interest rate in effect on the date of loan approval or on the date of loan closing.
- ❖ Loans are secured so as to adequately protect the Government’s interest. Bonds or notes pledging taxes, assessments, or revenues may be accepted if they meet statutory requirements. A mortgage or other lien may be also taken on the applicant’s property when State laws permit.



Committed to the future of rural communities.

Rural Utility Programs

APPLICATION REQUIREMENTS

- ❖ Form SF424, Application for Federal Assistance
- ❖ State intergovernmental review comments and recommendations (clearinghouse comments). For States without a Clearinghouse, the USDA Rural Development office will instruct the applicant on the appropriate process.
- ❖ Supporting documentation needed to determine eligibility, such as financial statements, audits, organizational documents, existing debt instruments, and engineering reports. Applicants will be advised what documentation is necessary.

EMERGENCY COMMUNITY WATER ASSISTANCE GRANTS

PURPOSE

Emergency Community Water Assistance Grants may be available to rural communities when disaster strikes. Congress may appropriate funds for the program after a flood, earthquake, or other disaster if Federal assistance is warranted.

ELIGIBLE APPLICANTS

- ❖ Applicants must demonstrate that a significant decline in quantity or quality of water occurred within two years of the date the application was filed with RUS.
- ❖ Public bodies and nonprofit corporations servicing rural areas, including cities or town whose population does not exceed 10,000 people may be eligible. Public bodies include Indian Tribes on Federal and State reservations and other Federally recognized Indian Tribes.

ELIGIBLE USES

- ❖ Funds may be used to:
 - (1) Extend, repair, or perform significant maintenance on existing water systems; construct new water lines, wells or other sources of water, reservoirs, and treatment plants; replace equipment; and pay costs associated with connection or tap fees.
 - (2) Pay related expenses such as legal and engineering fees and environmental impact analyses, or acquire rights associated with developing sources of, treating, storing, or distributing water.
 - (3) Achieve compliance with the requirements of the Federal Water Pollution Control Act (33 U.S.C. 1 et seq.) or with the Safe Drinking Water Act when noncompliance is directly related to a recent decline in quality of potable water.

GRANT AMOUNTS

- ❖ Grants made to alleviate a significant decline in quantity or quality of water available from the water supplies in rural areas that occurred within two years of filing an application with the Agency cannot exceed \$500,000.
- ❖ Grants made for repairs, partial replacement, or significant maintenance on an established system to remedy an acute shortage or significant decline in the quality or quantity of potable water cannot exceed \$75,000.
- ❖ Subject to the above limitations, grants may be made for 100 percent of eligible project costs.

Rural Development is an Equal Opportunity Lender, Provider, and Employer. Complaints of discrimination should be sent to USDA, Director, Office of Civil Rights, Washington, DC 20250-9410.

APPLICATION REQUIREMENTS

- ❖ Form SF 424, Application for Federal Assistance
- ❖ State Intergovernmental Review comments and recommendations (clearinghouse comments). For States without a Clearinghouse, the USDA Rural Development office will instruct the applicant on the appropriate process.
- ❖ Supporting documentation that includes a preliminary engineering report, population and median household income of the service area, nature of the emergency that cause the problems associated with the project, and evidence that the significant decline in quantity or quality of water occurred within two years of filing the application.

APPLICATION SUBMISSION

To file an application, please contact the Rural Development Area Office that serves your county at <http://www.rurdev.usda.gov/wi/contact/index.htm>.