

# USDA



# Rural Development

Committed to the future of rural communities.



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*International Community Bankers Association  
2009 Conference*

*Workshop: American Recovery and Reinvestment  
Act Creates New Opportunities in Rural America*

*William F. Hagy III  
Acting Deputy Under Secretary  
Deputy Administrator, Business Programs  
USDA Rural Development*



# USDA



## Rural Development

Committed to the future of rural communities.

- *Increasing economic opportunity in rural America*
- *Improving the quality of life of all rural Americans*

# Rural Development Mission Areas

- Business-Cooperatives Programs
- Housing and Community Facilities
- Utilities (Broadband, Electric, Water and Wastewater Programs)

# Business Programs

- Commercial Lending
- Revolving Loan Funds and Technical Assistance

# Business Programs

- Work with the private sector and the community-based organizations to provide financial assistance and business planning.
- Help fund projects that create and preserve quality jobs and promote a diverse rural economy.
- Leveraging the financial resources with those of public and private credit source lenders to meet business and credit needs in under-served areas.

# Rural Microentrepreneur Program Loans

- Provide loans and grants to microenterprises that are unable to obtain other financial assistance.
- Provides mandatory funding of:
  - \$4 million in FY 2009 thru 2011
  - \$3 million in FY 2012
  - and the authorization of \$40 million in FYs 2009 thru 2012

# Value-Added Agricultural Products Market Development Grants

- Purpose: To assist with marketing of value-added products.
- Eligible Recipients: Independent producers, agricultural producer group, farmer or rancher cooperative, or majority controlled producer-based business venture.

# Value-Added Agricultural Products Market Development Grants (Continued)

- Funding Level: \$19.3 Million Funding for FY 08.
- Funding Limitation: Maximum of \$500,000; Priority to Applications under \$200,000.

# Program Delivery

- National Office
- 47 State Offices
- Area / Local Offices

# Definition of Rural Area

## **B&I, RBEG, RBOG**

Any area other than a city or town that has a population of greater than 50,000 inhabitants and the urbanized area contiguous and adjacent to such city or town.

## **IRP**

All Territory of a State that is not within the outer boundary of any city having a population of 25,000 or more, according to the latest decennial census.

## **REDLG**

Any area not included within boundaries of any urban area as defined by the Bureau of the Census.

# Intermediary Relending Program (IRP)

- Eligibility: Private non-profit corporations, public agencies, Indian Groups, or cooperatives
- Purposes: Business acquisitions, purchase of land, equipment, leasehold improvements, machinery, startup costs, working capital, feasibility studies, debt refinancing, educational institutions, hotels, motels, and tourist and recreational facilities

# Rural Business Enterprise Grants (RBEG)

- Eligibility: Public bodies, private non-profits, and Indian Tribes
- Purposes: Establish revolving loan programs, technical assistance, working capital loans, equipment, real estate, and refinancing

# Rural Economic Development Loans & Grants (REDLG)

- Eligibility: RUS electric and telephone borrowers (not delinquent on any Federal debt or in bankruptcy proceeding) and certain electric utilities that have prepaid.
- Purposes: Revolving loan programs, community development, technical assistance, construction, capital improvements, purchase of machinery and equipment, and working capital.

# Rural Business Opportunity Grants (RBOG)

- Eligibility: Public bodies, non-profits, Indian Tribes, and cooperatives
- Purposes: Technical assistance for business development and economic development planning

# Commercial Lending Programs

- B&I Guaranteed

# Business and Industry Guaranteed Loan Program

- **Eligibility:** Individuals; corporations, cooperatives, partnerships, and other legal entities, public and private, organized and operated on a profit or nonprofit basis; and Federally recognized Indian tribal groups.
- **Purposes:** Loan proceeds may be used for working capital, machinery and equipment, buildings and real estate, and certain types of debt refinancing. The primary purpose is to create and maintain employment and improve the economic climate in rural communities.

# Business and Industry Guaranteed Loan Program

## Farm Bill – Support of Renewable Energy Development

- Cooperative Stock Purchase Program
- Loans to Cooperatives

# Cooperative Stock Purchase Program

**Purpose:** Provide loan guarantees to Farmers and Ranchers to finance stock purchased in a value-added corporation.

## Changes:

- Existing and start-up cooperatives eligible.
- Processing contracts for 5 years.
- Financial information acceptable to lenders.

# Loans to Cooperative

## Non-Rural Areas:

- Value-added processing for producers located within 80 miles of the facility.
- Primary benefits will provide employment for rural area residents.

# Loans to Cooperative

## Non-Rural Areas:

- 10 percent Limitation of Appropriation
- \$25 Million Loan Limitation

# Loans to Cooperative

## Rural Areas:

- Cooperative's headquarters in urban area as long as the facility is located in a rural area.
- \$40 Million loan limitation, provided value-added processing facility.

# 2008 Farm Bill

- Two Titles Affect Rural Development:
  - Title VI** – Traditional provisions, including Broadband, Housing and Community Programs, Business Programs - **\$150 Million** Mandatory Funding
  - Title IX** – Energy provisions - **\$905 Million** Mandatory Funding (to be administered by RD)

# 2008 Farm Bill – Title IX

## Programs Administered By USDA Rural Development

- Biorefinery Assistance Program
- Bioenergy Program for Advanced Biofuels
- Rural Energy for America Program (REAP)
- Biomass Research and Development Initiative

# 2008 Farm Bill

## Biorefinery Assistance Program (Section 9003)

- Provides grants for demonstration scale and loan guarantees for commercial scale biorefineries that produce advanced biofuels
- Guaranteed Loan Limitations: Up to \$250 Million for Biorefineries
- Grant Limitations: Pilot/Demonstration Scale – Up to 50% of project costs
- Mandatory Funding:
  - FY 2009 - \$75 Million
  - FY 2010 - \$245 Million available until expended

# 2008 Farm Bill

## Bioenergy Program for Advanced Biofuels (Section 9005)

- Payments to eligible producers to support and ensure expanded production of advanced biofuels
- Existing production vs. new production

# 2008 Farm Bill

## Repowering Assistance Program (Section 9004)

- Provides payments to biorefineries (in existence when Farm Bill was passed) to replace fossil fuels used to produce heat or power in biorefineries with renewable biomass
- Provides \$35 million for FY 2009 that will remain available until the funds are exhausted
- Authorizes additional funding of \$15 million per year, from FY 2009 through 2012

# 2008 Farm Bill

## Bioenergy Program for Advanced Biofuels (Section 9005) - (Con't)

- Mandatory Funding:
  - \$55,000,000 FY 2009
  - \$55,000,000 FY 2010
  - \$85,000,000 FY 2011
  - \$105,000,000 FY 2012
- Discretionary Funding of \$25,000,000 each FY 2009-2012

# 2008 Farm Bill

## Rural Energy for America Program (REAP) (Section 9007)

- Formerly Section 9006 – Renewable Energy Systems and Energy Efficiency Improvements Program
- Establishes a grant and loan guarantee program to assist agriculture producers and rural small businesses in purchasing renewable energy systems and making energy efficiency improvements
- Establishes a grant program for energy audits, technical assistance and feasibility studies

# 2008 Farm Bill

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# 2008 Farm Bill

## Rural Energy for America Program (REAP) (Section 2007) - Funding

- Loan Guarantee Limits:
  - \$25 Million Cap
  - Cap Federal share at 75% of project costs
- Mandatory Funding:
  - FY 09 - \$55 Million
  - FY 10 - \$60 Million
  - FY 11 - \$70 Million
  - FY 12 - \$70 Million
- Discretionary Funding: \$25 Million each fiscal year for FY 09 -12

# Section 9006 Funding Activity FY 2003 thru 2008

## Renewable Energy/Energy Efficiency

<u>Technology</u>	<u>No.</u>	<u>Loans, Grants &amp; Combos Amount</u>	<u>Leveraged</u>
Biomass	271	\$65,188,772	\$321,322,470
Wind	245	48,008,511	582,427,329
Solar	108	4,683,405	11,207,057
Geothermal	52	1,969,517	4,576,639
<u>Hybrid</u>	18	2,620,736	85,968,197
Subtotal	694	\$122,470,941	\$1,105,501,692
Energy Efficiency	1,329	\$34,456,722	\$76,743,867
Subtotal	2,023	\$156,927,663	\$1,182,245,559
Guaranteed Loans	153	\$91,529,855	\$181,321,296
Grand Total	<u>2,176</u>	<u>\$248,457,518</u>	<u>\$1,612,024,373</u>



# American Recovery and Reinvestment Act of 2009



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# American Recovery and Reinvestment Act of 2009

- USDA received \$28 Billion to stimulate local economies and create jobs
- Rural Development's Share: \$4.36 Billion

“President Obama responded extraordinarily to a crisis unlike any since the Great Depression. Implementation of programs in the Recovery Act will help stimulate local economies, create jobs as well as protect and restore the environment.”

*Tom Vilsack*  
*Agriculture Secretary*



# American Recovery and Reinvestment Act

## First Wave of Rural Development Funds

- Create an estimated 35,000 rural jobs
- \$1.3 Billion for Water and Wastewater Systems Projects
- \$1.7 Billion for Homeownership Applications
- More than \$19.5 Billion in Economic Activity Through 2010

# PROGRAMS FUNDED

## *Broadband Loans and Grants:*

\$2.5 Billion

To expand broadband service in rural areas through a combination of direct loans, guaranteed loans, and grants to qualified applicants.

# Programs Funded (Cont.)

## *Business*

- Business and Industry Loan Guarantees:  
\$2.99 Billion
- Rural Business Enterprise Grants:  
\$20 Million

# Programs Funded (Cont.)

## *Community Facilities*

- Community Facilities Grants: \$63 Million

# Programs Funded (Cont.)

## *Community Infrastructure*

- Water and Waste Direct Loans: \$2.82 Billion
- Water and Waste Grants: \$968 Million
- A total of 465 projects will be immediately funded in 47 states with \$1.3 Billion in Recovery Act funds. (\$935 million in loans and \$420 million in grants)

# Programs Funded (Cont.)

## *Housing*

- Single Family Housing Direct Loans:\$1 Billion
- Single Family Housing Guaranteed Loans:  
\$10.472 Billion
- \$1.17 Billion in Guarantee Funds to be allocated  
immediately)

# Origins of the Delivery Enhancement Program (DET)

- Baltimore Meeting was held February 2005
- Goal: To simplify, improve and enhance the delivery of Rural Development's loan and grant programs by consolidating regulations, programs will be able to share a common rule for common values.

SFH Direct  
 SFH Direct Rehab Grant  
 SFH Direct Rehab Loan  
 Rural Housing Site Loans  
 SFH Guar. Loan  
 Self-Help Loan  
 Self-Help Grant  
 Rental Housing Direct Loan 515  
 Rental Housing Guar, Loan 538  
 CF Guar Loan  
 CF Grant  
 Farm Labor Housing Loan  
 Farm Labor Housing Grant  
 MFH Rental Assistance  
 Rural Housing Packaging grants  
 Section 525 Technical and Supervisory Assistance Grant  
 B&I Guar Loan  
 IRP Loan  
 Coop Dev. Grant  
 9007 Renewable Energy for America Program  
 Housing Preservation Grant  
 9008 Renewable Energy for America Program  
 Water & Waste Loan  
 W&W Grant  
 W&W Loan Guar.  
 Predevelopment Planning Grant  
 Emergency Water Community Ass. Grant  
 RBEG  
 Value-Added Grant  
 Telecom Loan Guar  
 Broadband Loan Guar  
 Distance Learning Grant  
 Distance Learning Loan  
 Telemedicine Grant  
 Telemedicine Loan  
 REDG  
 REDL  
 Elect Loan  
 Elect Loan Guar  
 Telecom Loan  
 Broadband Loan



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# Benefits of DET

- **Standardizes administrative processes and forms**
- **Simplify the process for borrowers and lenders**
- **Empower Rural Development staff and expand the capacity and effectiveness of local offices.**
- **Enhance program risk management**
- **DET rule structure facilitates the implementation of newly authorized programs**

# Risk Management

## Institutional

- **Approved:** A regulated or supervised lender that is in good standing with its regulator
- **Preferred:** An RD-approved lender that has
  1. annual losses over the last five years less than 1 percent of its outstanding commercial loan portfolio (or no losses if in business for less than 5 years),
  2. no more than one instance of Federal government negligent loan origination or servicing, and
  3. a sufficient current level of experience under similar loan programs

# Risk Management (Cont.)

- Program
  - Debt Coverage
  - Cash Equity
  - Credit Score for Principals
  - Loan to Value
- Agency
  - Percent Guarantee
  - Guarantee Loan Amount

# Milestones

- DET Guaranteed Interim Rule Expected to be Published June 1, 2009

# How To Learn More About USDA Rural Development

Contact Your State Rural  
Development Office

[www.rurdev.usda.gov](http://www.rurdev.usda.gov)



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# Any Questions?

