



**USDA Rural Development  
Business and Cooperative Programs**

**RURAL ECONOMIC DEVELOPMENT LOANS**

**PURPOSE**

- To promote sustainable rural economic development and job creation projects
- Reference: Section 313 of the Rural Electrification Act of 1936 and 7 CFR 1703, Subpart B.

**APPLICANT ELIGIBILITY**

- Rural Utility Service (RUS) borrowers currently in debt under the Rural Electrification Act
- RUS former borrowers under the Rural Electrification Act
- Non-profit utility eligible for RUS loan under the Rural Electrification Act
- Financially sound organization
- Current on all Federal debts

**USE OF LOAN FUNDS**

- Business expansions and start-ups
- Community development projects
- Business incubator projects
- Project feasibility studies
- Advanced telecommunications and computer networks for medical and educational services
- Community antenna television systems or facilities (with restrictions)

**MAXIMUM LOAN AMOUNT**

- Maximum \$750,000

**LOAN TERMS AND REPAYMENT**

- Zero-interest loan provided to the RUS borrower on a pass-through basis to the ultimate recipient (project owner)
- Maximum 10 year repayment period
- Principal payments may be deferred for 1 year for established third party businesses and up to two years for a start-up business.
- Repayment by the ultimate recipient may not be more restrictive than the repayment schedule of the RUS borrower.
- Minimum 20% supplemental financing required of ultimate recipient. No in-kind contributions are accepted as supplemental financing.

### **ELIGIBLE LOAN PURPOSE**

Zero-interest loans will be provided to third-party recipients to finance projects that promote economic development and job creation in rural areas. Third-party recipients may be private or public organizations having corporate and legal authority to incur debt. Examples of eligible loan purposes include but are not limited to:

- Business expansions and business start-ups, including cost of buildings, equipment, machinery, land, site development, and working capital.
- Community infrastructure necessary for economic development and job creation purposes.
- Community facilities and services necessary for economic development and job creation purposes.
- Medical facilities and equipment to provide medical care to rural residents.
- Educational facilities and equipment to provide training and job enhancement skills to rural residents to facilitate economic development.
- Business incubator projects to assist in developing emerging enterprises.

### **INELIGIBLE LOAN PURPOSES**

Zero-interest loans will not be used by the Utility Programs utility or the third-party recipient for:

- Projects related to the sponsoring Utility Programs utility that would, in the judgment of Business and Cooperative Programs, create a conflict of interest, or present a potential for or the appearance of a conflict of interest.
- Project costs incurred by the third-party recipient prior to filing of the completed application with Business and Cooperative Programs.
- Refinancing or paying off any existing debt owed by the third-party recipient.
- Electric or telephone purposes related either to the Utility Programs utility or the third-party recipient.
- Projects located in areas covered by the Coastal Barrier Resources Act or projects that would adversely impact the environment.
- Projects that will be used for residential purposes or entertainment purposes at the residential level.
- The purchase of an established business or operation or to primarily transfer property or real estate between owners without making substantial improvements or additions that will result in long-term job creation.
- Projects that will result in the transfer of existing employment or business activities from one area to another.

### **APPLICATION PROCESS**

- Standard Form 424, "Application for Federal Assistance" signed by the Utility Programs utility.
- Utility Programs utility Board of Directors resolution requesting the third-party loan.
- Miscellaneous Federal forms and certifications as set forth in 7 CFR 1703.34.
- Narrative discussion of the initial third party project consisting of the following:
  - "Selection Factors" as set forth in 7 CFR 1703.35
  - "Project Description" as set forth in 7 CFR 1703.36
  - Discussion regarding environmental impact of the third-party project.
- Applications are submitted to the USDA Rural Development State Office for review and rating
- Applications are forwarded to the USDA Rural Development National Office for selection on a national competitive basis
- Applications are selected quarterly

## **SELECTION FACTORS**

- Nature of the project
- Job creation projections
- Long-term improvements in economic development
- Diversifying the rural economy or alleviating underemployment
- Supplemental funds
- Economic conditions and job creation
- Unemployment rates
- Per capita personal income
- Change in population
- Number of long-term jobs
- Community-based economic development program
- Plan for improving the marketable skills of people in rural areas
- Location (rural)
- Support for program – cushion of credit payments
- Demonstration project
- Probability of success
- Ownership and management of the project
- Ultimate recipient's business plan
- Completeness of application

## **CONTACT INFORMATION**

For additional information you may contact the USDA Rural Development State Office in Temple at (254) 742-9780 or write to, USDA Rural Development, ATTN: Business and Cooperative Programs, 101 South Main, Suite 102, Temple, TX 76501.

This overview outlines the Rural Economic Development Loan Program. It does not contain the specific, detailed language in 7 CFR 1703, Subpart B, and in no way supersedes the requirements of the regulations.