



**USDA Rural Development
Business and Cooperative Programs**

RURAL ECONOMIC DEVELOPMENT GRANTS

PURPOSE

- To promote sustainable rural economic development and job creation projects through the operation of a revolving loan fund program.
- 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 GRANT FUNDS

- Establish and operate a **Revolving Loan Fund** (RLF) to provide loans that foster rural economic development.

MAXIMUM GRANT AMOUNT

- Maximum \$300,000

REVOLVING LOAN FUND (RLF)

- Initial loan for certain purposes only (see “Initial Loan Purpose” below). 0% interest, 10 year maximum term. The third-party recipient will provide collateral acceptable to the grantee.
- Subsequent loans, made from repayments of initial loan, may be used for any rural economic development purpose outlined in the grantee’s Rural Development Plan. Interest rate not to exceed prime, 10-year maximum term.
- Grantee will provide matching funds to the RLF in an amount equal to 20% of the grant. This contribution will be provided by the Utility Programs utility from its own sources and will remain as part of the fund until the fund is terminated.
- Grantee may charge loan recipients reasonable loan servicing fees (not to exceed 1% of the outstanding balance of the recipient’s loan).
- Grantee may use funds from the RLF to cover operating expenses of the RLF (not to exceed 10% of the grant over the lifetime of the RLF).
- Minimum 20% supplemental financing required of loan recipient. No in-kind contributions are accepted as supplemental financing.

INITIAL LOAN PURPOSE

- Business incubators established by non-profit organizations to assist in developing emerging enterprises.
- Community development assistance to non-profit and public bodies for employment creation projects or projects that provide needed community facilities and services.
- Projects that provide education and training to rural residents to facilitate economic development.
- Projects that provide medical care to rural residents including medical training to rural health care providers.
- Projects that utilize advanced telecommunications and/or computer networks to facilitate medical or educational services or job training.

INELIGIBLE PURPOSES

Grant funds 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.

RURAL DEVELOPMENT PLAN

- The RLF will be administered in accordance with a Rural Development Plan developed by the Grantee and approved by USDA Rural Development.
- The Rural Development Plan will include the following items:
 - Specific objectives
 - Operating procedures
 - Lending parameters
 - Application process
 - Types of projects to be funded
 - Maximum and Minimum loan amounts
 - Coordination with local lenders
 - Method of disposition of funds
 - Monitoring/reporting requirements

APPLICATION PROCESS

- Standard Form 424, "Application for Federal Assistance" signed by the Utility Programs utility.
- Utility Programs utility Board of Directors resolution requesting the grant for revolving loan fund purposes
- 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.

- Rural Development Plan outlining, among other things, the specific objectives of the revolving loan fund program, its lending parameters, application process, and procedure for monitoring third-party projects.
- Applications are submitted to the USDA Rural Development State Office for review and rating
- Applications are forwarded by State Offices to the USDA Rural Development National Office for selection on a national competitive basis
- Applications are selected quarterly

SELECTION FACTORS

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| <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • 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 |
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SCOPE OF WORK

The REDG recipient must submit a scope of work when applying for REDG funds.

The scope of work must contain the following:

- Documented need for grant funds
- Documented authority and ability of Rural Development borrower to administer RLF
- Documented ability to commit financial resources to assist in the establishment of a rural development program
- Documentation that commitments of significant supplemental financial support have been secured
- A list of proposed fees and other charges
- Policy for use of non-Federal funds

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 Grant 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.