

USDA Rural Development Rural Energy for America (Section 9007) Guaranteed Loan Program



Rural Energy for America Guaranteed Loan Program Purpose

- Creates opportunities for economic development for rural businesses by supporting/financing renewable energy and energy efficiency projects
- Expands the existing private credit structure by providing a credit enhancement via a loan guarantee.

Eligible Borrowers

- **Ag Producers**
- **Small Business**



§4280.103 Definitions

Agricultural Producer – An individual or entity directly engaged in the *production* of agricultural products, including crops (including farming); livestock (including ranching); forestry products; hydroponics; nursery stock; or aquaculture, whereby 50 percent or greater of their gross income is derived from those products.

50% or more of gross income must come the products that are grown or raised.



§4280.103 Definitions

Small Business – An entity or utility, as applicable, described below that meets Small Business Administration’s (SBA) definition of Small Business as found in 13 CFR part 121.301(a) or (b). Non Profits are ineligible.

- 1) A private for-profit entity, including a sole proprietorship, partnership, and corporation;
- 2) A cooperative (including a cooperative qualified under section 501(c)(12) of the Internal Revenue code);
- 3) An electric utility (including a Tribal or governmental electric utility) that provides service to rural consumers and must operate independent of direct government control.

Eligible Technologies

- Renewable Biomass, bioenergy
- Anaerobic digesters
- Geothermal (electric and direct)
- Hydroelectric (30 megawatts or less)
- Hydrogen
- Wind
- Solar
- Ocean (including tidal, wave, current, and thermal)
- Energy Efficiency

Eligible Project Costs

- Post-application purchase and installation of equipment (new, refurbished, or remanufactured), except agricultural tillage equipment, used equipment, and vehicles
- Post-application construction or improvements
- Energy audits or assessments,

Eligible Project Costs (con't)

- Permit and license fees
- Professional service fees, except for application preparation
- Feasibility studies and Technical Reports
- Business Plans and Retrofitting

Eligible Project Costs (con't)

- Construction of a new energy efficient facility under certain circumstances
- Working capital
- Land acquisition

Examples of Ineligible Purposes

- Improvement that will benefit residences
- Lines of credit
- Guarantee loans made by other Federal agencies
- Distribution or payment to an owner, beneficiary, or a close relative of the owner, when owner will remain an owner

Fees and Percentage of Guarantee

- Fees
 - Guarantee Fee – 1 percent (maximum)
 - Annual Renewal Fee – 0.50 percent (maximum)
 - Current FY15 Fees:
 - 1 percent guarantee fee
 - 0.25 percent annual renewal fee
- Percent of Guarantee Maximums
 - Greater than \$10 million – 60 percent
 - \$5 million up to \$10 million – 70 percent
 - \$600K up to \$5 million – 80 percent
 - \$600K or less – 85 percent



Guaranteed Loan Limits

- Minimum loan amount is \$5,000
- Maximum loan amount is \$25,000,000
- Loan amount cannot exceed 75 percent of the total eligible project costs



Terms – First Installment

- Principal and interest will, if possible, be scheduled for payment after the project is operational and has begun to generate income

Equity Requirement

- Cash Equity Injection
 - Loans greater than \$600K, require not less than **25 percent** of eligible project cost
 - Loans of \$600K or less, require not less than **15 percent** of eligible project cost
- Federal grant funds may be used to meet equity requirement

Collateral

- Must be sound and sufficient to protect interests of the lender and Agency (normally discounted value will be at least equal to the loan amount)
- Must be appropriately discounted
- Cannot secure unguaranteed portion with additional collateral

Feasibility Study

- Feasibility studies are required for renewable energy system projects submitted by a start-up or existing business
 - RE projects with total eligible project cost of \$200K or less are exempt from this requirement
- Study must be completed by a qualified independent consultant

Technical Reports

- Required for all projects,
 - Scope and complexity based on eligible project cost and technology phase
- Commercially available and under \$200K
 - Simplified format
- Eligible project cost over \$200K
 - More complex



USDA Rural Development

- REAP Guaranteed Loan Program
 - Process
- The End



Contact Information

Jesse Gandee, Rural Business Specialist

USDA – Morgantown

304-284-4882

Jesse.gandee@wv.usda.gov

SBA Contacts:

Rick Haney – richard.haney@sba.gov (304) 623-7449

Leo Lopez – leo.lopez@sba.gov (304) 347-5220

