



USDA RURAL DEVELOPMENT

Rural Development is committed to helping improve the economy and quality of life in all of rural America. Through our Business, Community, and Housing Programs, we touch rural America in many ways. Our financial programs support such essential public facilities and services as water and sewer systems, housing, health clinics, emergency service facilities and electric and telephone service. We promote economic development by supporting loans to businesses through banks and community-managed lending pools. We offer technical assistance and information to help agricultural and other cooperatives get started and improve the effectiveness of their member services. And we provide technical assistance to help communities undertake community empowerment programs.

Business Programs

Dean Edwards, Business Programs Director

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Rural Development's Business Programs provide funds to start or expand businesses in rural areas, often in partnership with private-sector lenders.

BP Guaranteed Loans improve, develop, or finance business, industry, and employment, and better the economic and environmental climate in rural communities, including pollution abatement and control. This type of assistance is available to businesses located in rural communities with a population of less than 50,000.

Intermediary Relending Program finances business facilities and community development projects in rural communities with a population of less than 25,000. This is achieved through loans made by USDA to intermediaries that provide loans to ultimate recipients for business facilities and community development in a rural area.

Rural Cooperative Development Grants establish and operate centers for rural technology or cooperative development to carry out activities and generate information useful to rural industries, cooperatives, businesses, and others in the development and commercialization of new products, processes, or services.

Rural Economic Development Loans and Grants make zero interest loans and grants available to rural electric and telephone borrowers to promote rural economic development and job creation projects.

Rural Business Enterprise Grants assist public bodies and nonprofit corporations finance and facilitate development of small and emerging private businesses located in rural areas.

Rural Business Opportunity Grants provide bonds for technical assistance and planning activities to improve economic conditions in rural areas.

Renewable Energy Grants and Loans assist in developing renewable energy systems and to make energy efficiency improvements. Examples include biofuels, wind, solar, geothermal, and hydrogen-based projects.

Value-Added Producer Grants enables eligible agricultural producers to develop businesses that produce and market value-added products.

Community Programs

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Rural Development's Community Programs seek to improve the quality of life in rural America through a variety of loan and grant programs for water and waste disposal projects, essential community facilities, electric utilities and telecommunications.

Community Facility Loans and Guaranteed Loans may be made to develop essential community facilities in rural areas and towns of up to 20,000 in population. Funds are available to public entities such as municipalities, counties, and special-purpose districts, as well as to non-profit corporations and tribal governments. The maximum term for all loans is 40 years or the useful life of the facility. Loan funds may be used to construct, enlarge, or improve community facilities for health care, public safety, and public services. These facilities include, but are not limited to, libraries, hospitals, elderly care facilities, child care centers, fire and rescue, vocational and medical centers, schools, and public transportation.

Community Facilities Grant Program assists rural areas and towns of up to 20,000 in population. Grants may be made for most of the same purposes as direct and guaranteed loans. Grants are authorized on a graduated scale.

Water and Waste Disposal Loans and Guaranteed Loans may be made to develop water and wastewater systems, including solid waste disposal and storm drainage, in rural areas and to cities and towns with a population of 10,000 or less. Funds are available to public entities, such as municipalities, counties, special-purpose districts, and Indian tribes. In addition, funds may be made available to corporations operated on a not-for-profit basis. The maximum term for all loans is 40 years or the useful life of the facility.

Water and Waste Disposal Grants help reduce water and waste disposal costs to a reasonable level for users of the system. Grants may be made, in some instances, up to 75 percent of eligible project costs. Eligible applicants are the same as for loans.

Technical Assistance and Training Grants can be made to nonprofit organizations to provide technical assistance and/or training to associations located in rural areas and to cities and towns with a population of 10,000 or fewer. Assistance may be provided to identify and evaluate solutions to water and waste disposal problems, to improve the operation and maintenance of existing water and waste disposal facilities, and to assist associations in preparing applications for water and waste disposal facilities.

Solid Waste Management Grants help public and private nonprofit organizations to provide technical assistance and/or training to associations located in rural areas and to cities and towns with a population of 10,000 or less to reduce or eliminate pollution of water resources, and improve planning and management of solid waste facilities. Assistance may be provided to enhance operator skills in operations and maintenance, identify threats to water resources, and reduce the solid waste stream.

Telecommunication and Electric Programs provide Distance Learning and Telemedicine, Broadband, Telephone and Electric Utilities. More detailed information may be obtained by accessing <http://www.usda.gov/rus/>.

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Housing Programs

Paul Neumann, Housing Programs Director

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Rural Development's Housing Programs make housing loans and grants to provide rural residents with decent, safe, sanitary housing. The program helps finance new or improved housing for moderate, low, or very low income families. It provides financing--with no down payment, at favorable rates and terms--either through a direct loan or with a loan from a private financial institution which is guaranteed by the program. RD finances modest housing that meets Government-observed development standards and agency established thermal requirements.

Guaranteed Rural Housing Loans are available to assist eligible households with incomes that do not exceed 115% of median income for the area.

Direct Section 502 Loans provide eligible persons an opportunity to obtain adequate but modest, decent, safe and sanitary dwellings for applicants with incomes that do not exceed 80% of the median income for the area.

Rural Rental Housing Loans are made to finance building construction and site development of multifamily living quarters for people with very low, low and moderate income. Some units are reserved for people with disabilities and/or people aged 62 and over. Loans can be made in this program to construct housing that will be operated in cooperative form, but loan funds may not be used to finance individual units within the project.

Home Improvement Loans and Grants enable very low income rural homeowners to remove health and safety hazards from their homes and to make homes accessible for people with disabilities. Grants are available for people 62 years old and older who cannot afford to repay a loan.

Self-Help Housing Loans assist groups of six to eight low-income families build their own homes by providing materials and the skilled labor they cannot furnish themselves. The families must agree to work together until all homes are finished.

Housing Preservation Grants help very low and low income homeowners repair and rehabilitate their homes. Rental property owners can use them to repair and rehabilitate their units if they agree to make such units available to low and very low income families.

AREA I: Columbia City Area Office
1919 East Business 30
Columbia City, IN 46725
(260) 244-6266 Ext. 4
FAX: (260) 248-2778

ALBION Sub-Office
DeKalb, LaGrange, Noble, Steuben, Whitley
104 East Park Drive
Albion, IN 46701
(260) 636-7682 Ext. 4
FAX: (260) 636-2525

DECATUR Sub-Office
Adams, Allen, Huntington, Miami, Wabash, Wells
975 South 11th
Decatur, IN 46733
(260) 728-2141 Ext. 4
FAX: (260) 728-2988

LAPORTE Sub-Office
Jasper, Lake, LaPorte, Porter, St. Joseph
100 Legacy Plaza West
LaPorte, IN 46350
(219) 324-6303 Ext. 4
FAX: (219) 324-8317

PLYMOUTH Sub-Office
Elkhart, Fulton, Kosciusko, Marshall, Pulaski, Starke
2903 Gary Dr.
Plymouth, IN 46563
(574) 936-2024 Ext. 4
FAX: (574) 936-5715

AREA II: NORTH VERNON Area Office
2600 Highway 7 North
North Vernon, IN 47265
(812) 346-3411 Ext. 4
FAX: (812) 346-8154
Serving the following counties:
Bartholomew, Clark, Dearborn, Decatur, Floyd, Franklin, Jackson, Jefferson, Jennings, Johnson, Ohio, Ripley, Scott, Shelby, Switzerland, Washington.

USDA Rural Development Indiana Offices

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INDIANA STATE OFFICE**
5975 Lakeside Boulevard
Indianapolis, IN 46278-1996
317-290-3100 Ext. 4
FAX 317-290-3127

AREA III: BLOOMFIELD Area Office
104 County Road 70 East, Suite C
Bloomfield, IN 47424
(812) 384-4634 Ext. 4
FAX: (812) 384-8131

BLOOMINGTON Sub-Office
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1931 Liberty
Bloomington, IN 47403
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1124 South 8th Street
Boonville, IN 47601
(812) 897-2840 Ext. 4
FAX: (812) 897-2859

JASPER Sub-Office
Crawford, Daviess, Dubois, Harrison, Martin, Orange, Pike
1484 Executive Boulevard
Jasper, IN 46546
(812) 482-1171 Ext. 4
FAX: (812) 482-9427

AREA IV: Muncie Area Office
3641 North Briarwood Lane
Muncie, IN 47304
(765) 747-5531 Ext. 4
FAX: (765) 747-5506

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AREA V: Covington Area Office
Boone, Clinton, Fountain, Hendricks, Montgomery, Parke, Putnam, Vermillion, Warren
2378 West US 136, Suite 3
Covington, IN 47932
(765) 793-3651 Ext. 4
FAX: (765) 793-7252

LAFAYETTE Sub-Office
Benton, Carroll, Cass, Newton, Tippecanoe, White
1812 Troxel Dr. Suite C1
Lafayette, IN 47909
(765) 474-9992 Ext. 4
FAX: (765) 474-1266





United States Department of Agriculture
Rural Development • North Vernon Area Office

Rural Development Community Facilities Programs

Who may apply

Community Programs can make and guarantee loans to develop essential community facilities in rural areas and towns of up to 20,000 in population. Loans and guarantees are available to public entities such as municipalities, counties, and special-purpose districts, as well as to non-profit corporations and tribal governments.

Applicants must have the legal authority to borrow and repay loans, to pledge security for loans, and to construct, operate, and maintain the facilities. They must also be financially sound and able to organize and manage the facility effectively.

Repayment of the loan must be based on tax assessments, revenues, fees, or other sources of money sufficient for operation and maintenance, reserves, and debt retirement. Feasibility studies are normally required when loans are for start-up facilities or existing facilities when the project will significantly change the borrower's financial operations. The feasibility study should be prepared by an independent consultant with recognized expertise in the type of facility being financed.

Community Programs can guarantee loans made and serviced by lenders such as banks, savings and loans, mortgage companies which are part of bank holding companies, banks of the Farm Credit System, or insurance companies regulated by the National Association of Insurance Commissioners. Community Programs may guarantee up to 90% of any loss of interest or principal on the loan. Community Programs can also make direct loans to applicants who are unable to obtain commercial credit.

Fund Uses

Loan funds may be used to construct, enlarge, or improve community facilities for health care, public safety, and public services. This can include costs to acquire land needed for a facility, pay necessary professional fees, and purchase equipment required for its operation. Refinancing existing debts may be considered an eligible direct or guaranteed loan purpose if the debt being

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refinanced is a secondary part of the loan, is associated with the project facility, and if the applicant's creditors are unwilling to extend or modify terms in order for the new loan to be feasible.

Rates & Terms

For the direct loan program there are three levels of interest rates available (poverty, intermediate, and market) each on a fixed basis. The poverty rate is set at 4.5%. The market rate is indexed to the eleventh bond buyers rate as determined by the U. S. Treasury Department. The intermediate rate is set halfway between the market and the poverty rates. Eligibility for these different interest rates is determined by the median household income (MHI) of the area being served and the type of project. The intermediate and market interest rates are adjusted quarterly. Contact your Rural Development State Office to determine the eligible interest rate for your area.

For the guaranteed loan program, the interest rate is the lender's customary interest rate for similar projects. The interest rates for guaranteed loans may be fixed or variable and are determined by the lender and borrower, subject to HCFP review and approval.

Loan repayment terms may not exceed the applicant's authority (under State law or organizational structure), the useful life of the facility, or a maximum 40 years.

Security Requirements

Bonds or notes pledging taxes, assessments, or revenues will be accepted as security if they meet statutory requirements. Where State laws permit, a mortgage may be taken on real and personal property. Tax-exempt notes or bonds may be issued to secure direct loans, but cannot be used for guaranteed loans.

Application Processing

Applications are handled by USDA Rural Development field offices. Rural Development staff will be glad to discuss a community's needs and the services available from HCFP and other agencies within USDA. Field staff can provide application materials and current program information, and assist in the preparation of an application.

The CF application process is a two-stage procedure (preapplication and application). Approximately 45 days is required to determine applicant eligibility, project priority status, and funding availability. After an application is submitted, time to process the application depends upon the scope of the project, environmental review, and legal issues.



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BUSINESS AND INDUSTRY GUARANTEED LOANS FACT SHEET

Business and Industry loan guarantees are provided by USDA, Rural Development, to help lenders extend credit to businesses and industries located in rural areas. Rural Development can guarantee up to 80 percent of the loan balance. The purpose of the B&I program is economic development and job creation in rural areas.

BENEFITS TO LENDERS:

✓ Reduces risk and provides lenders another tool to expand their loan portfolio.
✓ Loans can be sold to investors on a secondary market basis, thereby bringing outside capital into the community. Additional sale premium and servicing fee income can also be realized.
✓ Loans help lenders meet their requirements under the Community Reinvestment Act (CRA).
✓ Allows lender to make loans above its loan limits. In most banking jurisdictions, the lender is not required to apply the guaranteed portion of a loan against its legal lending limit.

BENEFITS TO BUSINESSES:

✓ Higher loan amounts may assist businesses restructuring debts and for expansion purposes.
✓ Longer repayment terms and better rates will improve business cash flow.
✓ Longer terms may assist businesses that may not qualify for conventional lender financing.
✓ Interest Rate is negotiated directly between the borrower and lender.
✓ A variable interest rate cannot be adjusted more often than quarterly.
✓ Fully amortized loans; no balloon payment at the end of the loan.

Eligible Lenders

Any lending institution subject to examination and regulation by a recognized regulatory agency is eligible to apply for a B&I loan guarantee.

Eligible Borrowers

- Any legal entity organized and operated on a profit or nonprofit basis; Federally recognized tribal groups; a public body; or an individual.
- There is no size restriction on the business, but it must be located in an eligible rural area. (See page 2, Other Eligibility Requirements)
- Individual borrowers must be either US citizens or permanent residents. Organization-type borrowers must be at least 51 percent owned by US citizens or permanent residents.

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Eligible Loan Purposes

- Business acquisition that will keep a business from closing, prevent the loss of jobs in an area, or provide more jobs
- Business conversion, expansion, repair, modernization
- Purchase and development of land, buildings, or facilities
- Purchase of equipment, machinery, supplies, or inventory
- Pollution control and abatement
- Startup costs and working capital
- Loan fees; fees and charges for professional services
- Some agriculture: aquaculture, commercial fishing, commercial nurseries, forestry, hydroponics, mushrooms, value added products
- Refinancing of a viable project to improve cash flow and create or save jobs
- Energy projects – bio-energy, solar, anaerobic digester, wind

Ineligible Loan Purposes

- Projects that would likely result in the transfer of jobs or employment from one area to another, or one likely to result in increased production that exceeds demand
- Payments to owners, partners, shareholders, or others who will retain any ownership in the business
- Any business that derives more than 10% of its gross revenue from gambling
- Loans to charitable institutions, church or church-sponsored organizations, lending and investment institutions, or insurance companies
- Lines of credit
- Golf courses and race tracks
- Any illegal business activity or prostitution
- The guarantee of lease payments or the guarantee of loans made by other Federal agencies
- Owner-occupied housing

Fees and Charges

There are two types of non-refundable guarantee fees

- Initial Guarantee Fee – 2 percent of the guaranteed portion of the loan
- Annual Renewal Fee – rate is established by Rural Development in an annual notice published in the Federal Register. For FY 2010, rate is ¼% multiplied by the principal balance of the guaranteed portion of the loan.

Other Eligibility Requirements

- Rural area - Project must be located in a rural area, which is any area outside a city or town with a population of 50,000 or more and its immediate adjacent urbanized area. To determine if a project is located in a rural area, you may go to: www.rurdev.usda.gov/rbs/.

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- Tangible balance sheet equity (TBSE) - A minimum of 10% TBSE is required for existing businesses with full personal or corporate guarantees. A minimum of 20% TBSE is required for new businesses with full guarantees. The equity requirement will be determined in accordance with Generally Accepted Accounting Principles (GAAP)
- Collateral – Collateral must secure the entire loan. Repayment of the loan must be reasonably assured. Lenders will discount collateral in accordance with bank’s normal policies. Discounted collateral value must be at least equal to the loan amount.
- Maximum Loan Amount and Percent of Guarantee - Quality loans of up to \$10 million may be made by lenders to rural businesses with a guarantee of up to 80% against any loss of principal or interest on the loan. However, the majority of guaranteed loans for both start-up and existing projects average \$2.5 million. The Administrator may, at his discretion, approve a loan up to \$25 million for certain high impact/high priority projects.

<i>Loan amount</i>	<i>Maximum guarantee %</i>
5 Million or Less	80%
Between 5 and 10 Million	70%
Between 10 and 25 Million	60%

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- Maximum Repayment Terms - Loans for multiple purposes and/or a combination of collateral may be blended.

<i>Purpose or Collateral</i>	<i>Maximum loan term</i>
Real Estate	30 years
Machinery and Equipment	15 years or useful life
Working Capital , Inventory	7 years

Lender Responsibilities

Applications are completed by the Lender and submitted to Rural Development requesting the guarantee. By executing a Lender’s Agreement, the lender agrees to service the loan in a prudent manner, including liquidation when necessary.

Other Requirements

Information will be required by Rural Development to comply with various laws and regulations. Environmental reviews will be required and applicant will be asked to provide the agency with the information required to complete the review.

THE APPLICATION PROCESS

Lenders may obtain a guaranteed loan application and more information about the B&I program by contacting USDA, Rural Development. The address, website, telephone and fax numbers are as follows:

Marcia Comer
Business Loan Specialist
2600 Hwy 7 North
North Vernon, IN 47265

<http://www.rurdev.usda.gov/rbs/>
Phone: 812-346-3411 ext. 121
Fax: 812-346-8154

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