

OneRD Guaranteed Loan Program Rural Energy for America (REAP) Lender Checklists

Welcome to the USDA Rural Development OneRD Guarantee Program! We want you to have a positive filing experience and to assist you, we have created lender application checklists to help navigate the filing process. The following checklist is specific to Rural Energy for America (REAP) guarantee loan applications within the OneRD Guaranteed Loan Program. While we hope the checklist serves as a useful tool, please know that participating lenders must also be familiar with the program regulation found at [7 CFR Part 5001](#). It is available at the OneRD Guarantee Loan website: <https://www.rd.usda.gov/onerdguarantee>. This website also has a host of other helpful information for lenders. These checklists are not all inclusive, and you are ultimately responsible for being aware of the OneRD Guarantee regulatory requirements. These checklists are informational only and not part of a complete application package.

You are responsible for becoming familiar and ensuring compliance with USDA, Rural Development environmental requirements found at [§5001.207](#). Please [contact the Agency](#) as early in your application process as possible to discuss the environmental process. Starting development activities prior to completion of the environmental process may jeopardize Rural Development's ability to guarantee your loan.

Complete Application for Loan Guarantee ([§5001.303](#) and [§5001.307](#))

Complete applications: The Agency will accept applications on a continuous basis. For each loan guarantee request, you must submit **complete** applications in order to be considered for loan guarantees. You are encouraged to submit a complete application in a single package; however, the Agency may accept the environmental information required by the Agency and initiate and complete its environmental reviews in advance of receiving a complete application. If an application is incomplete or has not yet been approved by your lending institution, the Agency will notify you in writing of the items necessary to address the incomplete application. Upon receipt of a complete application, the Agency will complete its evaluation.

Required content: You must provide all of the relevant application items as listed in the REAP Full Application Checklist.

Application modification: Please note that once a complete application is accepted by the Agency and prior to Agency award of a loan note guarantee, any modification to the application will be treated as a new application, and the Agency will process the information accordingly. The submission date of record for a modified application is the date the Agency receives the modified application information.

REAP Full Application Checklist

	You must be registered in the System for Award Management (SAM) and have received a Unique Entity Identifier (UEI). www.sam.gov
	Form RD 5001-1 “Application for Loan Guarantee” completed and fully executed
	Borrower eligibility information in accordance with §5001.307(a) (1) and (2) .
	Borrower description in accordance with §5001.307(b)(1) , (2) and (3) .
	Project information in accordance with §5001.307(c)(1) , (2) and (3)
	Your written credit evaluation conforming to §5001.202 and Attachment C of this document.
	Environmental information required by the Agency to conduct its environmental review – See §5001.207 and 7 CFR Part 1970 . Contact the Agency early in the process to discuss environmental requirements for the specific loan. For all loans secured by real estate, the following may be required:
	Phase I Environmental Site Assessment
	FEMA Form 086-0-32 “Standard Flood Hazard Determination Form”
	Required financial statements including:
	Current balance sheet and year-to-date income statements of the Borrower, dated within 90 days of submission of the <u>complete</u> application.
	Current balance sheet and year-to-date income statements of any corporate guarantor(s), dated within 90 days of submission of the <u>complete</u> application.
	Current personal financial statement of any individual guarantors, dated within 90 days of submission of the <u>complete</u> application.
	Historical balance sheets, income statements, and cash flow statements of the borrower for the lesser of the last three fiscal years or all years of operation. Agency financial statement standards can be found in §5001.9. Tax returns are not acceptable.
	Projected balance sheets, income statements, and cash flow statements/ cash flow budgets or a financial model starting from the current financial statements through a minimum of two years of the project performing at full operational capacity or stable operations.
	Financial projections must be supported by a list of assumptions showing the basis for the projections.
	A pro forma or projected balance sheet as of the date of loan closing that reflects any new assets acquired and/or new debt including the new guaranteed loan. Please include details of pro forma Additions/Subtractions.
	Current financial statements of affiliates.

		The Agency may request additional financial statements, financial models, cash flow information, updated financial statements, and other related financial information to determine the financial feasibility of a project and evaluate the credit underwriting of the borrower, its affiliates, and any guarantors.
		Current, within 90 days, Credit Reports or equivalent on the following:
		Borrower
		Personal or commercial/corporate guarantors
		Any person or entity owning greater than a 20 percent or more interest in the borrower or controls the borrower
		For requests of \$600,000 or greater - A draft loan agreement for the guaranteed loan that addresses each of the following:
		Repayment terms and amortization provisions of the guaranteed loan
		Description of real property collateral, list of other collateral and identification of the lender's lien priority in the collateral
		A list of persons and entities guaranteeing payment of the guaranteed loan and their percentage of guarantee
		Type and frequency of <u>borrower</u> financial statements to be required for the duration of the guaranteed loan.
		Type and frequency of <u>guarantor</u> financial statements to be required for the duration of the guaranteed loan (<i>guarantor financial statements must be updated at least annually</i>).
		Prohibition against borrower assuming liabilities or obligations of others
		Limitations on borrower dividend payments or distributions and compensation of officers, owners and members of borrower.
		Limitations on the purchase and sale of equipment and other fixed assets
		Restrictions concerning mergers, consolidations, or other circumstances including significant management changes and a limitation on selling the business, project, or guarantee loan collateral without the concurrence of the lender
		Maximum debt-to-net worth ratio, when required by the lender
		Minimum debt service coverage ratio, when required by the lender or by the program regulation. See §5001.102(d)(4)(iii) for Agency required minimum debt service coverage ratios when refinancing.
		A reserved section for any requirements imposed by the Agency in its conditional commitment.
		A reserved section for any Agency environmental requirements
		A provision for the lender and the Agency to have reasonable access to the project and its performance information during the term of the guaranteed loan including the periodic inspection of the project by a representative of the lender or the Agency.

	Loan classification and credit risk rating classification scale – See also Block 37 on Form RD 5001-1.
	Real estate appraisals in accordance with §5001.203(c) . Appraisals may be conditionalized. Discuss with your Agency contact prior to submitting your application.
	For construction projects, obtain the “as-is” market value and the “prospective” market value as of the date of construction completion
	Provide technical review of the real estate appraisal prepared in compliance with USPAP Standards 3 and 4
	Chattel appraisals - Appraisals may be conditionalized. Reach out to your Agency contact prior to application submittal to discuss.
	Newly-acquired – A bill of sale may be used to support the value
	Existing – Appraisals are required when its value exceeds \$250,000. Must be conducted by an independent qualified appraiser, must be based on industry recognized standards, and reflect the age, condition, and remaining useful life of the equipment.
	Feasibility Study – For RES projects only, when deemed necessary by the lender or Agency. Done in accordance with §5001.3 and applicable content in appendix A to subpart D.
	Business Plan - Unless the information is contained in the feasibility study or in the credit evaluation, a business plan should be submitted to show how the project will operate and remain viable. This requirement may be omitted when guaranteed loan funds are used exclusively for debt refinancing.
	Technical report. All eligible projects must have technical merit and provide information as identified in §5001.106(e) , §5001.107 , or §5001.108 and §5001.307(e)(1) through (3)
	For total project costs of \$80,000 or less, a technical report, as identified in §5001.303(c)(16) , prepared in accordance with paragraphs §5001.307(e)(4)(A) , (B) or (C) as applicable.
	Hybrid projects. If the application is for a hybrid project, technical reports must be prepared for each technology that comprises the hybrid project.
	Copies of organizational documents, organizational charts, and existing debt instruments (if not previously submitted).
	Intergovernmental consultation comments in accordance with 2 CFR part 415 , subpart C, or successor regulation, unless exemptions have been granted by the State’s single point of contact.
	Form RD 5001-2, “Lenders Agreement” or Form RD 5001-2a, “Multi-State and Non-Traditional Lender’s Agreement” (if not previously approved). There will be only one Lender’s Agreement issued for each lending entity based on their tax identification number. Lender’s Agreements will not be issued for individual branches. Approval under one program is approval for all programs.

REAP Lender’s Credit Evaluation Checklist

You must prepare a credit evaluation in accordance with [§5001.202](#). This checklist is provided to assist you in the completion of its credit evaluation. It is not a replacement for knowledge of the regulation in general or 7 CFR 5001, §5001.202 specifically. The Agency reserves the right to review the Lender’s credit evaluation and request additional information.

The Agency recognizes that you have a unique format for presenting the credit evaluation within your organization. The Agency does not have a required format. However, use the following as a checklist of your credit evaluation to make sure you have addressed and/or provided the required information. The written credit evaluation must contain, at a minimum, the following:

DESCRIPTION OF:

	Proposed loan, interest rates, and loan terms.
	Proposed/existing project.
	Lender’s history with the borrower, affiliates, guarantors, etc.
	Proposed/existing business. Include organizational charts or descriptions of ownership structure including percentage of ownership.
	Guarantors (§5001.204). Applications involving <u>guarantor(s)</u> must also include a global debt service coverage analysis of the <u>guarantor(s)</u> including the cash flow of the guarantor(s).
	Affiliates, as applicable. Applications involving <u>affiliated entities</u> must include a global credit evaluation and, if applicable, a global historical and projected debt service coverage analysis. Definition of affiliate can be found in §5001.3 .

REVIEW AND DISCUSSION OF:

	Business Plan, if applicable
	Feasibility Study, if applicable
	Technical Report, if applicable
	Architectural or Engineering Documentation, if applicable
	All applicable contracts, management agreements and leases per §5001.202(a) .

EVALUATION OF CREDIT FACTORS: Provide a written evaluation on each credit factor documenting the proposed loan is sound. The credit evaluation must include the items listed at [§5001.202\(b\)\(6\)](#):

	Character - see §5001.202(b)(1) for information on this topic.
	Capacity - see §5001.202(b)(2) for information on this topic.
	Capital - see §5001.202(b)(3) for information on this topic.
	Collateral - see §5001.202(b)(4) for information on this topic.
	Conditions - see §5001.202(b)(5) for information on this topic.

DISCUSSION OF FINANCIAL STATEMENTS:

	Provide spreadsheets and analysis of borrower’s historic, current, and projected financial statements (including assumptions provided for projections) with appropriate ratios and comparisons with industry standards (such as the Risk Management Association, Dun & Bradstreet, or other recognized industry standard).
	Provide an operational cash flow analysis on a quarterly basis <u>for projects with a seasonal cash flow cycle</u> .
	Provide an operational cash flow analysis on a quarterly basis through startup or occupancy <u>when the loan note guarantee is requested prior to construction completion</u> . Include a construction budget and schedule and indicate whether the quarterly construction costs are being provided by the guaranteed loan, borrower equity, or other sources.
	Applications involving corporate guarantor(s) must include a global debt service coverage analysis of the corporate guarantor(s) including the cash flow of the guarantor(s).
	Applications involving guarantors should provide an analysis of the guarantor financials and credit history, including an assessment of the ability of the guarantor to support the project, if needed.
	Applications involving affiliated entities must include a global credit evaluation and, if applicable, a global historical and projected debt service coverage analysis.

DISCUSSION OF STRENGTHS AND WEAKNESSES:

	Address and describe financial or other credit strengths.
	Address and describe financial or other credit weaknesses and risk mitigation measures for the borrower.