



Special Edition Newsletter
Business Programs

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Rural Development Indiana



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Director's Corner

By Robert Hill
Business Programs Director

Thar's gold in them thar hills...

Ever feel the lure of finding the huge gold nugget?

How about unearthing that 10 carat diamond?

Or the vision of an oil gusher that makes you the next Beverly Hillbilly?

It's all about PROSPECTING; I would like to ask all of you to think like a prospector for our Agency. Our Programs are driven by assisting rural communities, residents and businesses. We are continually looking for opportunities to use our Programs. Our Specialists spend much of their time prospecting; looking for ways to assist our constituents. Our Business Program Staff works with banks, credit unions and various other lenders. We partner with economic, community and business development groups all over the state. We collaborate with other Federal Agencies, State Offices, local and county

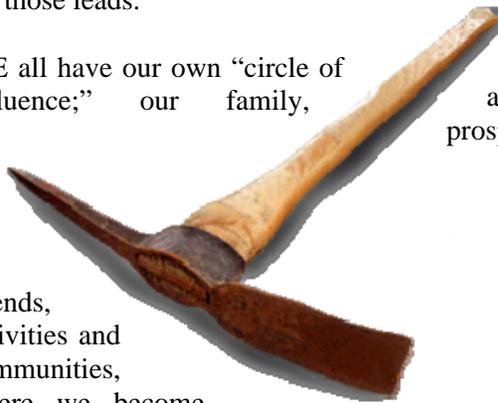
officials to grow rural Indiana. It is up to us to find those projects and know what is going on in our communities. We use many resources; business associates, community leaders, elected officials, public notices and meetings, news sources, civic participation, etc, etc, to get our leads. We are always "prospecting" for those leads.

WE all have our own "circle of influence;" our family,

friends, activities and communities, where we become aware of what is going on around us. You may hear of a business expansion, a need for a new fire truck, discussions of new housing or other uses for RD Programs. We are the face of RD, most of the people we associate with are aware of our RD affiliation; but, they may not be familiar with what we do.

The more involved you are, the more you will know about your environment and potential RD projects.

We can always use your help finding those gold nuggets, diamonds, oil gushers or even a business expansion, a water treatment plant or new housing project. It can be a real source of pride to see a project that you were part of. So...have those shovels and pick axes ready and keep prospecting.



Rural Development Announces \$17.4 Million for Loan Guaranty Program to Help Rural Business Grow in Indiana

USDA Rural Development has announced Indiana's Fiscal Year 2015 Business Programs allocation totals \$17.4 million. New or existing rural businesses can use these funds for new construction, acquisitions, expansion, machinery and equipment, working capital, ag-processing facility, aquaculture, or refinancing.

USDA Rural Development Business Programs help create jobs and stimulate rural economies by providing financial backing for rural businesses. Loans, grants, and loan guarantees are available to any legally-organized entity, including cooperatives, partnerships, profit or non-profit entities, Indian tribes or federally-recognized tribal groups, and municipalities.

Additionally, a wide range of technical assistance is provided to cooperatives and people interested in forming new cooperatives. Funds are available to complete energy audits and feasibility studies, complete energy efficiency improvements, install renewable energy systems. RD has programs that help convert older heating sources to cleaner technologies, produce advanced biofuels, install flexible fuel pumps, install solar panels, build bio-refineries, and much more. USDA Rural Development is at the forefront of renewable energy financing, with options including grants, guaranteed loans and payments.

Contact your local Area Business Specialist today to see how this Program can be used for your projects.

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Milk Trucks Run on Biofuel Generated from Dairy Operation's

Recognizing the potential for environmental and economic benefits through renewable energy, Fair Oaks Farms in Fair Oaks, Indiana, is producing more than milk from its 11,000 dairy cows. The dairy's anaerobic digester generates approximately 865 million BTUs of renewable natural gas each day.

There was more to be done, however, to further reduce the operation's carbon footprint while addressing the significant costs of fossil fuels used to transport their products.

Through its Business and Industry Loan Guarantee Program in fiscal year 2013, USDA Rural Development backed a \$5.5 million loan to Renewable Dairy Fuels, an affiliate of Fair Oaks Farms. The financing was used to purchase machinery and equipment to convert methane gas from the dairy's digester into renewable compressed natural gas (CNG) and to install a fueling station with gas drying, compressing and dispensing operations. The equipment scrubs the biogas clean of carbon dioxide so that it can be used as a clean transportation fuel.

The CNG generated by the dairy's main waste product, animal manure, now powers Fair Oaks Farms' fleet of big rigs hauling milk to processing plants in Indianapolis, as well as Murphysboro, Tennessee, and Winchester, Kentucky.

The waste-to-energy project saves over 1.5 million gallons of diesel fuel per year, trimming the company's fuels costs and carbon emissions significantly.



Have you seen these Kenworth T440 tractors powered by the Cummins Westport ISL-G compressed natural gas engines, on the road?

The trucks, equipped with 6-speed Allison automatic transmissions and extra natural gas fuel tanks, haul raw milk from the Fair Oaks Farms dairy facilities in Fair Oaks, Indiana, to processing centers in three Midwestern states.

Obligation Amount: \$5.5 million loan guarantee

Date of Obligation: December 2012

Congressional District: Representative Rokita, IN-4; Senators Coats and Donnelly

Partners: Fifth Third Bank, Fair Oaks Farms, Renewable Dairy Fuels

Demographics: Jasper County, Indiana

Impact: Reduced carbon emissions, fuel costs, and fossil fuel use by 1.5 million gallons of diesel per year.

USDA Energy Loans Have Banks Seeing Green

By Curtis Johnson
Business Programs Specialist

Over the past few years, financial institutions everywhere have embraced environmental stewardship as one of their key corporate values. By offering electronic banking, online bill pay and paperless statements, banks have found that “going green” is both healthy for the planet and the bottom line. For as much as these initiatives have done to transform operating models, transforming business development models has proven more difficult.

Lending on renewable energy or energy efficiency projects, in particular, cause banks all sorts of trouble. Determining accurate collateral value can be difficult. Since energy tax credits and other incentives don’t take effect until after development is complete, cash flow during development can be problematic often requiring more equity than many borrowers are willing to invest. However, a program available through the USDA helps mitigate lender risk making green lending an attractive and profitable proposition.

The Rural Energy for America Program (REAP) provides lending institutions guarantees on commercial loans for green projects that benefit agricultural producers or rural small businesses. Eligible projects include energy efficiency improvements and renewable energy systems such as solar, wind, geothermal, anaerobic digesters, biomass, etc. Loans can range anywhere from \$5,000 to \$25 million, and are guaranteed up to 85% of any loss by the USDA. While lenders ultimately determine rates and terms, the program allows for loan repayment terms as long as 30 years for real estate, 15 years for equipment and 7 years for working capital.

REAP loan guarantee help lenders mitigate much of the risk inherent in these sorts of projects. Unguaranteed loans often call for aggressively discounted collateral, shortened repayment terms, and demanding borrower equity requirements during development. With a REAP guarantee however, lenders can offer higher

loan-to-values without the need to look for additional collateral, longer terms to improve cash flow, and lower equity requirements during development to increase cash position once the project is complete. As an added benefit, lenders have a commitment from USDA in hand before development ever starts.

As an added benefit, energy loans guaranteed through REAP are sought after in the secondary market, making them highly profitable. Often, lenders choose to sell the guaranteed portion on the secondary market but retain servicing. This earns the lender a premium on the sale, recurring revenue from servicing fees, and recurring revenue from the interest paid on the unguaranteed portion of the loan. All the while, the lender continues to own the customer relationship.

As evidenced by the example above, the REAP loan guarantee program enables lenders to invest in innovative projects with a positive impact on the environment and realize several business benefits. The borrower benefits from an attractive, fixed rate. Risk associated with rising interest rates is bore by the secondary market instead of the lender. Selling the guaranteed

portion of the loan improves liquidity, and can even support additional loan activity. As for profitability, realizing a 60% return in the first year while retaining a 10% residual return for the life of the loan is sure to impress shareholders.

So if your bank takes both its commitment to shareholders and the environment seriously, it may be worth your while to take a look at expanding your lending portfolio into the world of green lending with help from USDA and the Rural Energy for America Program (REAP). It will surely have you seeing green in more ways than one.

For more information on the Rural Energy for America Program (REAP), visit the program website at <http://www.rd.usda.gov/programs-services/rural-energy-america-program-renewable-energy-systems-energy-efficiency> or contact the appropriate State Energy Coordinator. Curtis Johnson serves Northern Indiana and can be reached at either Curtis.Johnson@in.usda.gov or (765) 747-5531 ext. 110. Jerry Hay serves Southern Indiana and can be reached at either Jerry.Hay@in.usda.gov or (812) 346-3411 ext. 126.

Secondary Market Example	
Loan amount	\$910,000
Guaranteed portion	\$728,000 (80%)
Interest rate	6.000% (3.250% index, 2.750% margin)
Premium paid	12.500%
Servicing fee	1.000%
Return Year 1	
Premium earned on sale	\$91,000 (910,000 X 80% X 12.500%)
Servicing fee on guaranteed portion	\$7,280 (910,000 X 80% X 1.000%)
Interest earned on unguaranteed portion	\$10,920 (910,000 X 20% X 6.000%)
Total	\$109,200
Return on investment (ROI)	60.000% (109,200 / 910,000 X 20%)
Return Year 2 and Beyond	
Servicing fee on guaranteed portion	\$7,280 (910,000 X 80% X 1.000%)
Interest earned on unguaranteed portion	\$10,920 (910,000 X 20% X 6.000%)
Total	\$18,200
Return on investment (ROI)	10% (18,200 / 910,000 X 20%)



Rural Business-Cooperative Service (RBS) Guaranteed Loan Programs

	Business & Industry (B&I)	Rural Energy for America Program (REAP)
MINIMUM LOAN	No minimum	\$5,000
MAXIMUM LOAN	Maximum \$25 million and up to \$40 million on rural cooperative organizations that process value-added agricultural commodities	\$25 million or 75% of total eligible project costs, whichever is less (75% includes grant dollars received under REAP, if applicable)
ELIGIBLE PURPOSES	<ul style="list-style-type: none"> • Business and industrial acquisitions • Purchase of land, machinery and equipment • Construction, enlargement of modernization • Eligible fees and costs • Educational or training facilities • Tourist facilities • Hotels/motels • Pollution control or abatement • Recreation facilities • Working capital • Refinancing when it is determined that the project is viable and equal or better rates and terms are offered • Commercially available energy projects that produce biomass fuel or biogas. (May include co-digestion of non-renewable feedstocks) • Processing of locally/regionally produced Ag food products • Loans to purchase stock issued by a cooperative organization 	<p>Eligible projects are:</p> <ol style="list-style-type: none"> 1. Installation of renewable energy systems such as solar photovoltaic, solar thermal, wind turbines, anaerobic digesters, biomass/bioenergy, geothermal, hydrogen, ocean energy, and small-hydroelectric 2. Energy efficiency improvements to buildings, equipment, and processes that reduce use of energy such as Heating, Ventilation, and Air Conditioning (HVAC), heat and heat recovery, combined heat and power, cooling/refrigeration, lighting, variable frequency drive or automated control updates, window replacement, motor conversions, insulation, power usage, etc.) <p>Eligible loan purposes include post application costs that are directly related to a commercially available renewable energy system and energy efficiency improvement, including:</p> <ul style="list-style-type: none"> • Purchase and installation of new or refurbished equipment • Construction, retrofitting, replacement and project improvements • Energy efficiency improvement identified in an energy assessment or energy audit • Fees for construction permits and licenses • Building/Equipment for existing renewable energy system • Refinancing of outstanding debt (subject to conditions) <p>The following purposes cannot exceed more than 5% of the loan amount:</p> <ul style="list-style-type: none"> • Working capital • Land acquisition • Routine lender fees • Energy Assessments, Energy Audits, technical reports, business plans, and Feasibility studies

	Business & Industry (B&I)	Rural Energy for America Program (REAP)
INELIGIBLE PURPOSES	<ul style="list-style-type: none"> Relocate jobs or to expand a business where an excess of supply of the goods or services already exists Pay any distribution an owner or beneficiary who will continue in business Transfer the ownership of a business unless the transfer is necessary to keep the business from closing Finance inherently religious activities Finance agricultural production with the exception of specialized crops Finance golf courses, racetracks and gambling facilities 	<ul style="list-style-type: none"> Residential projects Agricultural tillage equipment Used equipment Vehicles Lines of credit Lease payments Finance a project if the business operations derive income from activities of a sexual nature, illegal activities, or derive more than 10% of gross revenues from gambling activity Finance political or lobbying activities Finance a project that creates a conflict of interest or the appearance of a conflict of interest. Pay off any Federal direct or guaranteed loans or other Federal debts
ELIGIBLE BORROWERS	Non-profit and for profit entities engaged or proposing to engage in a business that are located in rural area under 50,000 population	<ul style="list-style-type: none"> Agricultural producers Small business located in rural area under 50,000 populations
GUARANTEE PERCENTAGE	<ul style="list-style-type: none"> 80% maximum guarantee on loans up to and including \$5 million 70% maximum guarantee on loans greater than \$5 million and up to and including \$10 million 60% maximum guarantee loans greater than \$10 million 	<ul style="list-style-type: none"> 85% maximum guarantee on loans \$600,000 or less 80% maximum guarantee on loans more than \$600,000 but less than \$5 million 70% maximum guarantee on loans \$5 million up to and including \$10 million 60% maximum guarantee loans greater than \$10 million
EQUITY	Tangible balance sheet equity requirement: <ul style="list-style-type: none"> 10% for existing business 20% for startup 25-40% for energy projects Determined from balance sheets prepared in accordance with Generally Accepted Accounting Principles 	Other funding requirement: <ul style="list-style-type: none"> 25% of the total project cost Agricultural Producers can submit financial information in a format that is accepted by Agricultural Lenders
COLLATERAL	<ul style="list-style-type: none"> Real estate - 80% of appraisal value M&E – 60-70% of appraised value Accounts Receivable/Inventory- 50% of book value 	<ul style="list-style-type: none"> Real estate - 80% of appraisal value M&E – 60-70% of appraised value Accounts Receivable/Inventory- 50% of book value
FEES	<p>Guarantee fee: 3% of the guaranteed portion of the loan payable to USDA Rural Development when the guarantee is issued</p> <p>-----</p> <p>Annual renewal fee: 0.5%</p> <ul style="list-style-type: none"> Based on the outstanding balance of the guaranteed portion of the loan as of December 31st. 	<p>Guarantee fee: 1% of the guaranteed portion of the loan payable to USDA Rural Development when the guarantee is issued</p> <p>-----</p> <p>Annual renewal fee: 0.25%</p> <ul style="list-style-type: none"> Based on the outstanding balance of the guaranteed portion of the loan as of December 31st.
TERMS	<ul style="list-style-type: none"> 30 years for real estate 15 years or useful life of equipment 7 years for working capital 	<ul style="list-style-type: none"> 30 years for real estate 15 years or useful life of equipment 7 years for working capital

Accessibility News

ABAAS Adopted for Use in All RD Financed, Non-residential Construction Projects

By Kevin Harriman
Indiana RD Architect

Compliance with Federal accessibility standards has long been a condition of RD financing. In fact, the Uniform Federal Accessibility Standard (UFAS) and the Americans with Disabilities Act Accessibility Guidelines (ADAAG) have been with us for decades. The UFAS is a product of the Architectural Barriers Act of 1968 (ABA) and the ADAAG is a result of the Americans with Disabilities Act of 1990 (ADA).

Now we welcome another standard, the Architectural Barriers Act Accessibility Standard (ABAAS). In November 2014, **RD adopted the ABAAS to replace the UFAS for all non-residential construction projects financed by the Rural Housing Service, Rural Utilities Service, and the Rural Business-Cooperative Service.** The UFAS will continue to serve our residential projects, but RD staff has already been directed to follow the ABAAS for all non-residential projects.

Why was the ABAAS adopted? There are a couple of good reasons: The new standard reduces the number of differences between the two older standards and addresses newer technologies.

Since the introduction of the ADA, most non-residential RD financed projects have been subject to both the UFAS and ADAAG. This is because all commercial facilities and places of public accommodation, *regardless* of the funding source, are required to be ADAAG compliant. At the same time, all projects receiving Federal financing from RD are required to be UFAS compliant. Though these two standards are very similar, they are unfortunately not identical. The U.S. Access Board published the ABAAS in 2004 to provide a new standard which exhibits fewer of the differences that exist between the UFAS and ADAAG. A significant

example of this is the revision of elevator requirements and exceptions.

Also, since the ABAAS is a newer standard than the UFAS, it addresses newer technologies not included in the UFAS like ATM machines, limited-use/limited-application elevators (LULAs) and assisted listening devices. Please visit the following web links for the complete story on the ABAAS and its adoption by RD.

RD Administrative Notice 4779 (AN) issued November 17, 2014, is available at: <http://www.rd.usda.gov/publications/regulations-guidelines/administrative-notice>

The current ABAAS can be found at: <http://www.access-board.gov/guidelines-and-standards/buildings-and-sites/about-the-aba-standards/aba-standards>

If questions arise after reading the AN and ABAAS, please contact me at kevin.harriman@in.usda.gov.

Around the State

New Website Announced for RD

USDA Rural Development has unveiled its new website: www.rd.usda.gov. The site went live to the public in mid January.

RD's new home will supply more information to the public more efficiently. Additionally, the revision has standardized the state web pages, bringing them into uniformity.

Indiana's state page is now at www.rd.usad.gov/in.



New Indiana Program Summary Guide and FY 2014 Indiana Activity booklet available online at www.rd.usda.gov/in.



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Meet Under Secretary Lisa Mensah



Lisa Afua Serwah Mensah was nominated by President Obama for the position of Under Secretary of USDA Rural Development and she was confirmed by the U.S. Senate in November of 2014.

Ms. Mensah provides leadership for three USDA agencies charged with improving the economic wellbeing of rural America: the Rural Housing Service, the Rural Utilities Service and the Rural Business-Cooperative Service. Together, these agencies provide critical infrastructure investments in the form of loans and grants for rural housing, high-speed broadband access, telephone, electric and water utilities, renewable energy generation and conservation, local and regional food systems, community facilities, and small business development in rural America.

An expert in using financial tools to improve the economic security of the working poor, Ms. Mensah has experience in the private financial sector and has worked extensively on small and micro business development, housing, financial and savings policy.

Prior to joining USDA, she was the founding Executive Director of the Initiative on Financial Security at the Aspen Institute. In that role she led a national bi-partisan effort with leaders of financial institutions, non-profit executives and experts to promote solutions to the complex problems of helping more Americans save money, buy homes, and finance retirement. Ms. Mensah began her career in commercial banking at Citibank before joining the Ford Foundation where she was responsible for the country's largest philanthropic grant and loan portfolio of investments in rural America.

Ms. Mensah holds an M.A. from the Paul H. Nitze School of Advanced International Studies of The Johns Hopkins University and a B.A. from Harvard University. Born and raised in Oregon, she is the daughter of an immigrant from Ghana and of a former Iowa farm girl. She resides in Maryland with her husband and two children.

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