

Rural Broadband Access Loan and Loan Guarantee Program

FREQUENTLY ASKED QUESTIONS (FAQS)



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Rural Utilities Service (RUS) Telecommunications Program Rural Broadband Access Loan and Loan Guarantee Program

These FAQs are focused on the Rural Broadband Access Loan and Loan Guarantee Program (Broadband Program), which provides financing to telecommunications providers in rural areas where traditional financing is not otherwise available for the construction, improvement, and acquisition of facilities and equipment to provide broadband service to eligible rural communities.

Frequently Asked Questions (FAQs)

Q: Can you outline the differences between the broadband eligibility and broadband lending speeds?

A: The amount of bandwidth currently being delivered to the households in the proposed service area(s) will be used to determine service area eligibility. This speed is defined as a downstream transmission capacity of 4 Mbps and an upstream transmission capacity of 1 Mbps.

Broadband Lending Speed is the amount of bandwidth that the funded facilities must be capable of delivering to every premise in the proposed service area(s). This speed is defined as 10 Mbps downstream and 1 Mbps upstream.

Q: Can you define an Incumbent Service Provider?

A: An incumbent service provider (per service area) is someone offering terrestrial broadband service, where 5% of the households subscribe to that broadband service. The existing service provider must provide information to support number of households actually taking broadband service.

Q: Can you define an unserved area or household?

A: An unserved area or household is one that is not offered broadband service at 4 Mbps downstream and 1 Mbps upstream.

Q: Can you define an eligible service area?

A: An eligible service area is one that is completely rural, where 15% of household are unserved households, where there are less than 3 incumbent service providers, which does not overlap current RUS borrowers and which does not overlap service areas of grantees that RUS has funded.

Q: What is the best method of determining whether you're in a service area of an existing RUS borrower?

A: Contacting the General Field Representative that services a particular geographic area is the best method for determining if an existing RUS borrower is serving an area. A list of GFRs can be found at: http://www.rd.usda.gov/files/UTP_TelecomGFRs.pdf

The RUS mapping tool can also be used for this purpose but the tool is not inclusive of all RUS borrowers and grantees at this time. Applicants can find the mapping tool here:

<https://broadbandsearch.sc.egov.usda.gov/>

Q: What's the best way to determine the percentage of unserved households within somebody's application, short of going door to door surveying?

A: There is no standard way of determining this information. We believe that the applicant should be the most familiar with the area being proposed for service(s) and we expect that they should determine the best way of obtaining this information. In the past, we have seen applicants research local advertising, talk to local businesses, speak to the local chamber of commerce and consult with the local government to determine the information required.

Q: Do you consider a provider of air cards with data caps as served or unserved?

A: The current regulation was set up with options for different requirements for mobile and wireline services. Today we've elected to include a provider offering air cards in the area as potentially being included as an incumbent service provider. Any provider offering broadband service on an air card may be used to determine service area eligibility (Note the additional requirement that 5% of the households must also subscribe to that broadband service). Broadband service is currently defined as at least 4 Mbps downstream and 1 Mbps upstream.

Q: What about satellite services? Are they considered incumbent service providers?

A: No. Satellite service is not considered to be an incumbent service provider.

Q: Is an application that provides fiber to the home an eligible loan purpose?

A: Any technology that can provide the amount of bandwidth that the funded facilities must be capable of delivering to every household (i.e., The Broadband Lending Speed of 10 Mbps downstream and 1 Mbps upstream) would be eligible. Fiber to the home technology typically provides capabilities that meet this requirement.

Q: Does this program have a Buy American provision?

A: Yes. Further details can be found in the *Rural Broadband Access Loan and Loan Guarantee Advance and Construction Procedures Guide*. RUS Bulletin 1738-2 located at http://www.rd.usda.gov/files/UTP_rus-bulletin-1738-web2-6-03%20_2_.pdf

Q: Do you have a list of 'Buy American' countries?

A: Details in regards to *Buy American countries* may be obtained within the document "[Buy American Requirement- List of Eligible Countries](#)" found in the Forms & Resources section of the RD website at <http://www.rd.usda.gov/programs-services/farm-bill-broadband-loans-loan-guarantees>. The list of eligible countries is also available for download at: http://www.rd.usda.gov/files/UTP_InfrastructureEligibleCountries.pdf.

For purposes of meeting the Buy American Requirement, eligible countries products receive the same treatment as manufactured and unmanufactured products produced in the United States. (See RUS Bulletin 344-3 found at <http://www.rd.usda.gov/publications/regulations-guidelines/bulletins/telecommunications>),

Q: Does the prevailing wage requirement apply to these loans (i.e., The Davis Bacon Act)?

A: The Davis Bacon Act does not apply to this program.

Q: What is the standard amortization period?

A: The amortization period is dependent on what type of facilities you are building. Overall, it's based on a composite economic calculation of all the depreciation rate for the facilities being funded, and it's a weighted average based on the amount of each category plus three years.

For instance, if you are building a wireless facility that includes a lot of Customer Premise Equipment (CPE), then your amortization period is historically going to be somewhere in the neighborhood of 9 to 12 years. If you are building a wireline system and the majority of the facilities for this loan are fiber cable, then you're probably looking at somewhere in the neighborhood of an 18 to a 20 year amortization period.

Q: Given the short window for applications, what level of engineering planning are you looking for? Do I need to utilize 3rd parties to review and / or certify my engineering plans or network designs?

A: We understand that this is a particularly short window, but overall, sufficient information needs to be provided to determine that the facilities being funded are capable of delivering sufficient services to every household in the service area (i.e., The Broadband Lending Speed of 10 Mbps downstream and 1 Mbps upstream).

There is no requirement to utilize a 3rd party to review and / or certify engineering plans or network designs, but an applicant may choose to utilize a 3rd party if it helps to complete their application.

Q: What is the URL address for the database of submitted applications?

A: Those interested in receiving email notifications whenever a new Loan has been submitted can do so by signing up for our subscription service within our Broadband Program Mapping Tool by clicking here:

<https://broadbandsearch.sc.egov.usda.gov/bsa/servlet/subscriptionAction.do?pageAction=Subscription& MenuAction=Yes>.

Q: Knowing that the first round of application submission ends on September 30th, when will round two be?

A: As of now, we haven't really decided, but our goal is to open up the next window before the end of calendar year 2015.

Keep in mind that we plan on there at least being two different periods in each Fiscal year. Evaluation periods will be published in Federal Register each fiscal year.

Q: If an applicant has identified a non-contiguous service areas that requires a middle mile facility to connect the non-contiguous service areas, is the middle mile eligible for inclusion in the broadband loan?

A: In this case that middle mile is needed to provide the last mile service so it would be eligible.

Q: Do I need to propose services to residential, business and governmental facilities?

A: Yes. Services must be proposed that would allow for all households, businesses and governmental facilities to receive service at the Broadband Lending Speed.

Q: Can you provide more information on the market study requirements? Is that an internal study that the applicant performs or do they need to get a third party involved?

A: It can be either or. There are no set requirement for how that's done. It can be an internal study or you can hire a third party.

We would advise that everybody submitting an application download the application guide from our webpage. In the application guide we give you some examples of things that can be used.

The Telecommunications Program Rural Broadband Access Loan and Loan Guarantee Program Application Guide can be found at:

http://www.rd.usda.gov/files/UTP_FarmBillBroadbandLoanApplicationGuide.pdf.

Q: If people are interested in having a pre-assessment done, when / how should they do that?

A: The timing of a preliminary assessment with RUS is up to the applicant. Note that the preliminary assessment is a snap shot in time, but we would suggest that sooner is probably better than later, but this decision is up to the applicant.

This assessment will provide for answers to questions such as: Is the service area rural, does the service area overlap with RUS borrowers or grantees and does the service area overlap with a pending application.

To obtain a pre-assessment, you may contact your local General Field Representative (GFR) for assistance. A list of GFRs can be found at:

http://www.rd.usda.gov/files/UTP_TelecomGFRs.pdf.

Q: Where is the exception list?

A: The exception for 15 percent unserved and the number of incumbent service providers has no particular list other than the requirement listed in the regulation.

Q: What about the environmental questionnaire requirements?

A: Environmental and other requirements can be found in the Telecommunications Program Rural Broadband Access Loan and Loan Guarantee Program Application Guide:

http://www.rd.usda.gov/files/UTP_FarmBillBroadbandLoanApplicationGuide.pdf.

Q: If we're a startup company within the last two years, what's the best way for us to demonstrate the 10 percent equity?

A: Generally, we would like your balance sheet to show that you have a 10 percent equity in the company.

Q: For the rural definitions (A city, town, or incorporated area that has a population of greater than 20,000 inhabitants; or an urbanized area contiguous and adjacent to a city or town that has a population of greater than 50,000 inhabitants), does that number apply to the population or to the number of households?

A: It is based on the population as defined in the 2010 Census.

Q: Is it possible to challenge the existing service area map (i.e., validate the claims of the areas)?

A: We do not make the information provided by existing service providers publically available.

We will do our own independent evaluation as well as send our USDA field staff out to spot check any information provided in the applications as well as information provided by the existing service providers.

Q: We understand the minimum speed requirements, but what if the service is unaffordable to the point that the majority of the homes don't even have the broadband service?

A: We expect the applicant to build and construct very robust facilities to provide the amount of bandwidth so that the funded facilities are capable of delivering to every premise service at the Broadband Lending Speed. (i.e., 10 Mbps downstream and 1 Mbps upstream). You are not tied to having to offer at the Broadband Lending Speed and may choose to offer service at lower speeds if that helps fortify the business plan.

Q: It was stated that operating expenses would not be eligible for the purpose of this loan. Does that mean that the direct cost to provide the facilities, including additional hires and services needed to meet the deadline, will need to be funded by another source?

A: Yes. We can only fund the facilities and equipment that are needed to provide service at the Broadband Lending Speed.

Q: If we currently provide service at 4 Mbps downstream and 1 Mbps upstream, but have fully depreciated plant previously funded by RUS. Do we qualify?

A: Generally speaking you do qualify, but each case would be evaluated separately. For instance, if you're staying inside your service area and you're an existing borrower, then in general you would qualify for upgrade funding.