



Rural Economic Development Loan & Grant Program

What does this program do?

The Rural Economic Development Loan (REDL) and Grant (REDG) programs provide funding to rural projects through local utility organizations. Under the REDLoan program, USDA provides zero interest loans to local utilities which they, in turn, pass through to local businesses (ultimate recipients) for projects that will create and retain employment in rural areas. The ultimate recipients repay the lending utility directly. The utility is responsible for repayment to the Agency.

Under the REDGrant program, USDA provides grant funds to local utility organizations which use the funding to establish revolving loan funds (RLF). Loans are made from the revolving loan funds to projects that will create or retain rural jobs. When the revolving loan fund is terminated, the grant is repaid to the Agency.

Who may apply for this program?

To receive funding under the REDLG program (which will be forwarded to selected eligible projects) an entity must be described as:

- Any former Rural Utilities Service (RUS) borrower who borrowed, repaid or pre-paid an insured, direct, or guaranteed loan
- Nonprofit utilities that are eligible to receive assistance from the Rural Development Electric or Telecommunication Programs; or
- Current Rural Development Electric or Telecommunication Programs Borrowers

What is an eligible area?

Intermediaries may use Rural Economic Development Loan & Grant (REDLG) funds to lend for projects in rural areas or towns with a population of 50,000 or less.

How much funding is available to intermediaries?

- Up to \$300,000 in grants may be requested for establishment of the RLF
- Up to 10% of grant funds may be applied toward operating expenses over the life of the RLF
- Up to \$2 million in loans may be requested

The intermediary applies to USDA for funding support on behalf of specified local projects. Projects may commence after application submission, but there is no guarantee of approval. USDA funds are issued to the intermediary at project completion.

What are the terms for the intermediary?

- 10 years at 0%
- Grants require 20% match from the intermediary
- Grant funds must be repaid to USDA upon termination of the RLF

How may funds be used?

REDLG intermediaries pass the funding to ultimate recipients on to eligible projects. Examples of eligible projects include:

- Business incubators
- Community development assistance to nonprofits and public bodies (particularly job creation or enhancement)
- Facilities and equipment for education and training for rural residents to facilitate economic development
- Facilities and equipment for medical care to rural residents
- Start-up venture costs, including, but not limited to financing fixed assets such as real estate, buildings (new or existing), equipment, or working capital
- Business expansion
- Technical assistance

NOTE: **7 CFR, Part 4280.27** and **7 CFR, Part 4280.30** list ineligible uses



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How much funding is available to business and community borrowers (ultimate recipients) through the RLF?

An ultimate recipient may request up to 80% of project cost using REDLG funds, with the remainder provided by the ultimate recipient or the intermediary.

What are the terms on the RLF loan to the ultimate recipient?

- Interest rate is 0%
- Maximum term is 10 years
- Up to 80% of project cost, with 20% from either the ultimate recipient or the intermediary
- The intermediary may incorporate interest rates or administrative loan fees after the funds have been loaned out and revolved once. First time around all loans are at zero interest.
- Repayment may be deferred up to two years

How do we get started?

Applications for this program are accepted through your local office year round. Program Resources are available online (includes forms needed, guidance, certifications etc.)

Who can answer questions?

Contact your **local office**.

What governs this program?

- Basic Program – **7 CFR, Part 4280**
- Loan Servicing – **7 CFR, Part 4280** and 2 CFR Part 200
- This program is authorized by the Rural Electrification Act of 1936

Why does USDA Rural Development do this?

The REDLG programs provide financing to eligible RUS electric or telecommunications borrowers to promote rural economic development and job creation projects.

NOTE: Because citations and other information may be subject to change please always consult the program instructions listed in the section above titled "What Law Governs this Program?" You may also contact **your local office** for assistance. You will find additional forms, resources, and program information at www.rd.usda.gov. *USDA is an equal opportunity provider, employer, and lender.*