



**Rural
Development**

Office of the
Administrator

Rural Business-
Cooperative
Service

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TO: All National Office Official and
Field Office Staff
Rural Business Cooperative Service

ATTN: Leadership Designees
Rural Development State Directors
RBCS Operations Staff

FROM: J.R. Claeys
Administrator
Rural Business Cooperative Service

Subject: 90 Day Administrative Pause on Biodigesters and Controlled Environment
Agriculture Applications Pending Portfolio Performance Review

Purpose

The Purpose of this Unnumbered letter (UL) is to provide notice of a 90-day administrative pause on the acceptance, processing, and awarding of loan note guarantees across Rural Business Cooperative Service (RBCS) programs for projects involving biodigesters and controlled environment agriculture, such as vertical farming, hydroponics, aeroponics, and aquaponics. This action is being taken to allow the Agency to conduct a comprehensive review of the existing portfolio of such projects, including an assessment of delinquency rates, project performance, operational sustainability and underwriting guidelines to ensure prudent stewardship of federal resources. This UL does not establish new eligibility requirements and does not constitute a determination regarding the merits or viability of any individual applicant or technology.

Background

The Rural Business-Cooperative Service (RBCS) administers multiple grant and loan programs authorized under the Consolidated Farm and Rural Development Act (7 U.S.C. 1932) and related statutes to support rural business development, agricultural innovation, and energy related infrastructure. These programs are implemented pursuant to applicable regulations, including 7 CFR part 5001 for guaranteed loan programs and 7 CFR 4279 Subpart C – biorefinery, renewable chemical, and biobased product manufacturing assistance loans, and are intended to promote long-term economic viability while ensuring responsible stewardship of federal funds.

In recent years, RBCS has experienced an increase in controlled environment agriculture and biodigester applications across the guaranteed lending portfolio. Concurrently, internal portfolio data indicates elevated rates of project underperformance, loan delinquency and operational failure among existing projects falling under these technologies:

EXPIRATION DATE:
January 31, 2027

FILING INSTRUCTIONS:
Community/Business Programs

- Twenty-one loans for anaerobic biodigesters which make up \$386.4 million are currently seeing \$102.6 million or 27% in delinquency.
- Currently there are \$311.9 million of controlled environment agriculture loans in the RBCS portfolio, 43% or \$135 million are currently delinquent.

The Rural Business Cooperative Service has determined that closer examination is warranted at this time, to ensure that current program administration appropriately accounts for financial, operational, and market risks associated with such projects.

Federal agencies administering loan programs are responsible for maintaining effective internal controls and managing portfolio risk in accordance with applicable law, including the Federal Credit Reform Act of 1990 and government-wide payment integrity requirements codified in title 31, United States Code. To ensure consistent program administration and allow for a comprehensive review of existing project performance and risk exposure, the Agency has determined that interim administrative action is necessary prior to the continued acceptance and processing of new applications proposing these project types.

Implementation

Based on all relevant information presented in this letter, I am instructing all RBCS National Office and RD/RBCS Field Staff to adopt the following policy effective immediately:

1. Pause the acceptance or awarding of any biodigester or controlled environmental agriculture loan guarantee for a period of 90 days or until further guidance has been directed.
2. All State Program Directors please review your programs to identify other areas or sectors of concern within your portfolio and report back to the National Office with any common themes of concern.

This Unnumbered Letter is effective upon issuance and remains in effect until rescinded or superseded. Questions regarding this Unnumbered Letter should be directed to Dominick Lombardi, Special Assistant to the Administrator at dominick.lombardi@usda.gov.