PART 4280 – LOANS AND GRANTS

Subpart D - Rural Microentrepreneur Assistance Program

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**PART 4280 – LOAN AND GRANTS**

**Subpart D - Rural** **Microentrepreneur Assistance Program**

# § 4280.301 Purpose and scope.

1. **This subpart contains the policies and procedures by which the Agency will administer the Rural Microentrepreneur Assistance Program (RMAP).** *All text in bold is regulatory language, text in italics is administrative instructional language, not codified in regulations, intended instructions for RD staff.* **The purpose of the program is to support the development and ongoing success of rural microentrepreneurs and microenterprises. To accomplish this purpose, the program will make direct loans and provide grants to selected Microenterprise Development Organizations (MDOs). Selected MDOs will use the funds to:**
	1. **Provide microloans to rural microentrepreneurs and microenterprises;** *This will be accomplished when the Agency makes a loan to an MDO under this program who then uses the loan funds to establish or recapitalize a program funded RMAP Rural Microloan Revolving Fund (RMRF) for the purpose of making microloans. The MDO will also establish a Loan Loss Reserve Fund (LLRF) using non-Federal Funds in an amount not less than 5 percent of the amount owed by the MDO to the Agency.*
	2. **Provide business-based training and technical assistance to rural microborrowers and potential microborrowers as an essential part of the microlending process;** *Technical assistance often makes the difference between the success or failure of a new business or microbusiness, affecting the ability of the borrower to repay its debt to the MDO lender in a timely fashion.* *Generally, microlenders should not make microloans unless they are accompanied by some sort of technical assistance.*
	3. **Perform other such activities as deemed appropriate by the Secretary to ensure the development and ongoing success of rural microenterprises.**
2. **The Agency will make direct loans to microlenders for the purpose of providing fixed interest rate microloans to rural microentrepreneurs for business startup and for growing microenterprises in compliance with** [**§ 4280.311**](#Loan) **and** [**§ 4280.312**](#Approval)**. Eligible microlenders will also be eligible to receive microlender technical assistance grants to provide technical assistance and training to microenterprises that have received or are seeking a microloan under this program in compliance with** [**§ 4280.313**](#GrantProvisions)**.**
3. **To allow for extended opportunities for technical assistance and training, the Agency will make technical assistance-only grants to MDOs that have sources of funding other than program funds for making or facilitating microloans.** *These MDOs may include such organizations as self-employment training programs, women’s business centers, university based small business centers, tribal self-employment programs and so forth that are interested in developing self-employment opportunities but do not as their primary purpose, make microloans. They may also include entities that need funding for provision of training and technical assistance but have ample funding for loan making or facilitation of access to capital from sources other than this program. Technical assistance-only grantees will be expected to provide training and technical assistance services to the extent that access to capital for eligible microentrepreneurs and microenterprises is facilitated by referral to either an internal or external program or non-program loan fund so that these clients may take advantage of available financing programs.*

# § 4280.302 Definitions and abbreviations.

1. **General definitions**

**The following definitions apply to the terms used in this subpart:**

**Administrative expenses. Those expenses incurred by an MDO for the operation of services under this program. Not more than 10 percent of technical assistance grant funds may be used for such expenses.**

**Agency*.* USDA Rural Development, Rural Business-Cooperative Service or its successor organization.**

**Agricultural production. The cultivation, growing, or harvesting of plants and crops (including farming), breeding, raising, feeding, or housing of livestock (including ranching).**

**Applicant*.* The legal entity, also referred to as a microenterprise development organization, submitting an application to participate in the program.**

**Application*.* The required forms and documentation submitted by an MDO for acceptance into the program.**

**Award*.* The written documentation, executed by the Agency after the application is approved, containing the terms and conditions for provision of financial assistance to the applicant. Financial assistance may constitute a loan or a grant, or both.**

**Business incubator. An organization that provides temporary premises at below market rates, technical assistance in developing business or marketing plans, technical services, use of equipment, or other facilities or services to rural microentrepreneurs and microenterprises starting or growing a business. The business incubator may also provide access to capital through direct loans or referrals to loan programs.**

**Close relative. Individuals who live in the same household or who are closely related by blood, marriage, or adoption, such as a spouse, domestic partner, parent, child, sibling, aunt, uncle, grandparent, grandchild, niece, nephew, or first cousin.**

**Default. The condition that exists when a borrower is not in compliance with the promissory note, the loan and/or grant agreement, or other related documents evidencing the loan from the Agency or the MDO.**

**Delinquency. Failure by an MDO or microborrower to make a scheduled loan payment by the due date or within any grace period as stipulated in the promissory note and loan agreement.**

**Eligible project cost. The total cost of a microborrower’s project for which a microloan is being sought from a microlender, less any costs identified as ineligible in** [**§ 4280.323**](#Ineligible)**.**

**Facilitation of access to capital*.* For purposes of this program, facilitation of access to capital means assisting a client of the Technical Assistance only grantee in obtaining a microloan, whether or not the microloan is wholly or partially capitalized by funds provided under this program.**

**Federal fiscal year (FY). The 12-month period beginning October 1 of any given year and ending on September 30 of the following year.**

**Full-time equivalent employee(FTE)*.*  The Agency uses the Bureau of Labor Statistics definition of full-time jobs as its standard definition. For purposes of this program, a full-time job is a job that has at least 35 hours in a work week. As such, one full-time job with at least 35 hours in a work week equals one FTE; two part-time jobs with combined hours of at least 35 hours in a work week equals one FTE, and three seasonal jobs equals one FTE. If an FTE calculation results in a fraction, it should be rounded up to the next whole number.**

**Indian tribe*.*  Means the term as defined in** [**25 U.S.C. 5304(e)**](https://uscode.house.gov/view.xhtml?req=(title:25%20section:5304%20edition:prelim))**.**

**Loan loss reserve fund (LLRF). A deposit account that each microlender must establish and maintain in an amount equal to not less than 5 percent of the total amount owed by the microlender under this program to the Agency. This account can be used to pay any shortage in the RMRF caused by delinquencies or losses on microloans.**

**Microborrower. A microentrepreneur or microenterprise that has received loans or financial assistance from a microlender under this program in an amount of $50,000 or less.**

**Microenterprise. Microenterprise means:**

* 1. **A sole proprietorship located in a rural area, as defined; or**
	2. **A business entity located in a rural area, as defined, with not more than 10 full-time-equivalent employees. Such businesses may include any type of legal business that meets local standards of decency, though certain business types may be ineligible as defined in** [**§ 4280.323**](#Ineligible)**. Business types may also include agricultural producers provided they meet the stipulations in this definition.**

**Microenterprise development organization (MDO). A domestic organization that is a non-profit entity; an Indian tribe; or a public institution of higher education with loan or assistance programs for the benefit of rural microentrepreneurs and microenterprises. An MDO will:**

* 1. **Provide training and technical assistance and/or;**
	2. **Make microloans or facilitates access to capital or another related services; and/or**
	3. **Have a demonstrated record of delivering services to rural microentrepreneurs, or an effective plan to develop a program to deliver services to rural microentrepreneurs.**

**Microentrepreneur. An owner and operator, or prospective owner and operator, of a rural microenterprise who is unable to obtain sufficient training, technical assistance, or credit other than under this section. All microentrepreneurs assisted under this regulation must be located in rural areas.**

**Microlender. An MDO that has been approved by the Agency for participation under this subpart to make microloans and provide an integrated program of training and technical assistance to its microborrowers and prospective microborrowers.**

**Microloan. A business loan of not more than $50,000 for eligible purposes to a microborrower with a fixed interest rate and a term not to exceed 10 years.**

**Military personnel. Individuals, regardless of rank or grade, currently in active United States military service with less than 6 months remaining in their active duty service requirement.**

**Nonprofit entity. An entity chartered as a nonprofit entity under State or Tribal Law.**

**Program. The Rural Microentrepreneur Assistance Program (RMAP).**

**Rural Microloan Revolving Fund (RMRF). An exclusive account on which the Agency will hold a first lien and from which microloans will be made by the MDO. All payments from microborrowers and reimbursements from the LLRF will be deposited into the RMRF account. Loan payments will be made to the Agency by the microlender from the RMRF.**

**Rural or rural area. Any area of a State not in a city or town that has a population of more than 50,000 inhabitants, not in the urbanized area contiguous and adjacent to a city or town that has a population of more than 50,000 inhabitants, and excluding certain populations pursuant to** [**7 U.S.C. 1991(a)(13)(H) and (I)**](https://uscode.house.gov/view.xhtml?hl=false&edition=prelim&req=granuleid%3AUSC-2000-title7-section1991&num=0)**. In making this determination, the Agency will use the latest decennial census of the United States. The following exclusions apply:**

* 1. **Any area in the urbanized area contiguous and adjacent to a city or town that has a population of more than 50,000 inhabitants that is attached to the urbanized area of a city or town with more than 50,000 inhabitants by a contiguous area of urbanized census blocks that is not more than two census blocks wide. Applicants from such an area should work with their Rural Development State Office to request a determination of whether their project is located in a rural area under this provision.**
	2. **For the Commonwealth of Puerto Rico, the island is considered Rural and eligible except for the San Juan Census Designated Place (CDP)** **and any other CDP with greater than 50,000 inhabitants. Areas within CDPs with greater than 50,000 inhabitants, other than the San Juan CDP, may be determined to be rural if they are “not urban in character.”**
	3. **For the State of Hawaii, all areas within the State are considered rural and eligible except for the Honolulu CDP within the County of Honolulu and any other CDP with greater than 50,000 inhabitants. Areas within CDPs with greater than 50,000 inhabitants, other than the Honolulu CDP, may be determined to be rural if they are “not urban in character.”**
	4. **For the purpose of defining a rural area in the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands, the Agency shall determine what constitutes rural and rural-area based on available population data.**

**State. Any of the 50 States of the United States, the Commonwealth of Puerto Rico, the District of Columbia, the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands.**

**Technical assistance (TA) and training. A function performed for the benefit of a private business enterprise or a community which is a problem-solving activity such as market research, product and/or service improvement, feasibility study, worker training programs, etc., to assist in the economic development of a rural area.**

**Technical assistance grant. A grant from the Agency, the funds of which are used to provide TA and training.**

1. **Abbreviations. The following abbreviations apply to the terms used in this subpart.**

**FTE Full-time employee**

**FY Fiscal year**

**LLRF Loan loss reserve fund**

**MDO Microenterprise development organization**

**RMAP Rural Microentrepreneur Assistance Program**

**RMRF Rural microloan revolving fund**

**TA Technical assistance**

# § 4280.303 Exception authority.

**The Administrator may make limited exceptions to the requirements or provisions of this subpart. Such exceptions must be in the best financial interest of the Federal government and may not conflict with applicable law. No exceptions may be made regarding applicant eligibility, project eligibility, or the rural area definition. In addition, exceptions may not be made:**

1. **To accept an applicant into the program that would not normally be accepted under the eligibility criteria; or**
2. **To fund an interested party or applicant that has not successfully competed for funding in accordance with this subpart.**

# § 4280.304 Review or appeal rights and administrative concerns.

1. **Review or appeal rights. An applicant MDO, a microlender, or grantee MDO may seek a review of an adverse Agency decision under this subpart from the appropriate Agency official that oversees the program in question, and/or appeal the Agency decision to the National Appeals Division in accordance with** [**7 CFR part 11**](https://drafting.ecfr.gov/current/title-7/subtitle-A/part-11)**.**
2. **Administrative concerns. Any questions or concerns regarding the administration of the program, including any action of the microlender, may be sent to: USDA Rural Development, Rural Business-Cooperative Service, Program Management Division at 1400 Independence Avenue, SW, Room 5160-S, Mail Stop 3226, Washington, DC 20250-3226 or its successor agency, or the local USDA Rural Development office.**

# § 4280.305 Nondiscrimination and compliance with other Federal law.

1. **Any entity receiving funds under this subpart must comply with other applicable Federal laws, including the Equal Employment Opportunities Act of 1972, the Americans with Disabilities Act, the Equal Credit Opportunity Act, the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, and** [**7 CFR part 1901, subpart E**](https://www.ecfr.gov/current/title-7/subtitle-B/chapter-XVIII/subchapter-H/part-1901/subpart-E)**.**
2. **The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). Any applicant that believes it has been discriminated against as a result of applying for funds under this program should contact: USDA, Director, Office of Adjudication, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410, or call (866) 632-9992 (toll free) or (202) 401-0216 (TDD) for information and instructions regarding the filing of a Civil Rights complaint. USDA is an equal opportunity provider, employer, and lender.**
3. **A pre-award compliance review will take place at the time of application when the applicant completes or provides the Agency with sufficient demographic information to complete Form RD 400-8, “Compliance Review”. Post-award compliance reviews will take place once every three years after the beginning of participation in the program and until such time as a microlender leaves the program.** *Civil rights compliance reviews may be conducted by the Agency within the first year after loan closing and thereafter at intervals of not more than 3 years. The results of the review should be documented on Form RD 400-8, and appropriate documentation attached to substantiate findings of compliance or noncompliance. The original Form RD 400-8 should be maintained in the case file with copies forwarded to the Rural Development State Civil Rights Coordinator. If the MDO is not in compliance, copies should also be immediately forwarded to the Director, Civil Rights Staff, with a recommendation for action to be taken.*

# § 4280.306 Forms, regulations, and instructions.

**Copies of all forms, regulations, and instructions referenced in this subpart are available in any Agency office, the Agency’s Web site at** [**https://www.rd.usda.gov/page/regulations-and-guidance/**](https://www.rd.usda.gov/page/regulations-and-guidance/) **and for grants on the Internet at** [**www.grants.gov**](http://www.grants.gov)**.**

# §§ 4280.307 – 4280.309 [Reserved]

# § 4280.310 Program requirements for MDOs.

1. **Eligibility requirements for applicant MDOs. To be eligible for a direct loan or grant award under this subpart, an applicant must meet each of the criteria set forth in paragraphs (a)(1) through (4) of this section, as applicable.**
	1. **Type of applicant. The applicant must meet the definition of an MDO as provided in** [**§ 4280.302**](#Definition)**.**
	2. **Citizenship. Non-profit entities, to be eligible to apply for status as an MDO, must be at least 51 percent controlled by persons who are either:**
		1. **Citizens of the United States, the Republic of Palau, the Federated States of Micronesia, the Republic of the Marshall Islands, American Samoa, or the Commonwealth of Puerto Rico; or**
		2. **Legally admitted permanent residents residing in the United States.**
	3. **Legal authority and responsibility. The applicant must have the legal authority necessary to carry out the purpose of the award.**
	4. **Other eligibility requirements. The applicant must also provide evidence that it:**
		1. **Has demonstrated experience in the management of a revolving loan fund; or**
		2. **Certifies that it, or its employees, have received education and training from a qualified microenterprise development training entity so that the applicant has the capacity to manage such a revolving loan fund.** *The Agency intent is that the applicant is fully aware of and capable to undertake the management responsibilities of a revolving loan fund and provide entrepreneurial training. Management responsibilities include a staff with knowledge of standard commercial lending practices.*
		3. **Is actively and successfully participating as an intermediary lender in good standing under similar loan programs; and**
		4. **Provides an attorney’s opinion regarding the potential microlender’s legal status and its ability to enter into program transactions at the time of initial entry into the program. Subsequent to acceptance into the program, an attorney’s opinion will not be required unless the Agency determines significant changes to the microlender have occurred.**
2. **System for Awards Management. All applicants must be registered in the System for Awards Management (SAM) prior to submitting an application, unless determined exempt under** [**2 CFR 25.110**](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-I/part-25/subpart-A/section-25.110)**. Loan and grant recipients must maintain an active SAM registration with current information at all times during which it has an active Federal award or an application under consideration by the Agency. The applicant must ensure that the information in the database is current, accurate, and complete. Applicants must ensure that they complete the Financial Assistance General Certifications and Representations in SAM.**
3. **Minimum score. Once deemed eligible, an entity will be evaluated based on the scoring criteria in** [**§ 4280.316**](#Application) **for adequate qualification to participate in the program. Eligible MDOs must score a minimum of sixty (60) points in order to be considered to receive an award under this subpart.** *It is essential that an MDO be functioning at a level that ensures they are capable of providing and servicing microloans and/or training and TA. The minimum score helps to ensure a baseline level of capacity. This, in turn, helps ensure that the microentrepreneurs and microenterprises served receive quality lending and training services.*
4. **Ineligible applicants. An applicant will be considered ineligible if it:**
	1. **Does not meet the definition of an MDO** **as provided in** [**§ 4280.302**](#Definition)**;**
	2. **Is debarred, suspended or otherwise excluded from, or ineligible for, participation in Federal assistance programs; or**
	3. **Has an outstanding judgment against it, obtained by the United States in a Federal Court (other than U.S. Tax Court).**
5. **Delinquencies. No applicant will be eligible to receive a loan if it is delinquent on a Federal debt.**
6. **Application eligibility and qualification. An application will only be considered eligible for funding if it is submitted by an eligible MDO. The applicant will qualify for funding based on the results of review, scoring, and other procedures as indicated in this subpart, and the applicant will further:**
	1. **Establish an RMRF, or add capital to an RMRF originally capitalized under this program, and establish or continue a training and TA program for its microborrowers and prospective microborrowers; or**
	2. **Fund a TA-only grant program to provide services to rural microentrepreneurs and microenterprises.** *A MDO that is not a microlender under RMAP and not applying to become a microlender under RMAP may apply for a TA-only grant. TA-only grant recipients must provide technical assistance and will be expected to either make or facilitate microloans (Loans of $50,000 or less) with non-program funding.*
7. **Business incubators. Because the purpose of a business incubator is to provide business-based TA and an environment in which micro-level, very small, and small businesses may thrive, a microlender that meets all other eligibility requirements and owns and operates a small business incubator will be considered eligible to apply. In addition, a business incubator selected to participate as a microlender may use RMAP funds to lend to an eligible microenterprise tenant, without creating a conflict of interest under** [**§ 4280.323(c)**](#Assistance)**.**

# § 4280.311 Loan provisions for Agency loans to microlenders.

1. **Purpose of the loan. Loans will be made to eligible and qualified microlenders to capitalize RMRFs that it will administer by making and servicing microloans in one or more rural areas.**
2. **Eligible activities. Microlenders may make microloans for qualified business activities and use Agency loan funds only as provided in** [**§ 4280.322**](#microloans)**.**
3. **Ineligible activities. Microlenders may not use RMRF funds for administrative costs or expenses and may not make microloans under this program for ineligible businesses or purposes as specified in** [**§ 4280.323**](#Ineligible)**.**
4. **Cost share. The Federal share of the eligible project cost of a microborrower’s project funded under this section shall not exceed 75 percent. The cost share requirement shall be met by the microlender using either of the options identified in paragraphs (d)(1) and (2) of this section in establishing an RMRF. A microlender may establish multiple RMRFs utilizing either option. Whichever option is selected for an RMRF, it must apply to the entire RMRF and all microloans made with funds from that RMRF.** *If the microlender chooses to split their Agency loan and capitalize two RMRFs, the Agency is required to obligate and close two separate loans. The microlender will establish separate RMRFs and submit separate quarterly reports. Once established, an RMRF cannot be switched between the two options. An RMRF cannot be consolidated with an RMRF under the alternative option.*
	1. **Microborrower project level option. The loan covenants between the Agency and the microlender and the microlender’s lending policies and procedures shall limit the microlender’s loan to the microborrower to no more than 75 percent of the eligible project costs and require that the microborrower obtain the remaining 25 percent of the eligible project cost from non-Federal sources. The non-Federal share of the eligible project cost of the project may be provided in cash (including through fees, grants, and gifts) or in the form of in-kind contributions.** *Under this option, the microlender’s lending policies and procedures for the subject RMRF shall clearly state that their loan is limited to no more than 75 percent of the eligible project cost of the microborrower’s project and that the microborrower must obtain at least 25 percent of the eligible project cost from non-Federal sources. The microlender must verify sources and document the sources of the project funding in their Report of RMAP Lending Activity.*
	2. **RMRF level option. The microlender shall capitalize the RMRF at no more than 75 percent Agency loan funds and not less than 25 percent non-Federal funds, thereby allowing the microlender to finance 100 percent of the microborrower’s eligible project costs. All contributed funds shall be maintained in the RMRF.**  *The Agency shall ensure that this requirement is included as a condition in the Letter of Conditions for MDOs that choose this option. The non-Federal funds shall be deposited in the RMRF account at the time of request for disbursement(s) of loan funds from the Agency. The MDO may deposit the full amount of the non-Federal funds at the time of Agency’s loan closing or an amount pro rata to the Agency funds. If the full amount of non-Federal funds is not deposited at loan closing, evidence of additional deposits should accompany the letter to the Agency requesting each additional disbursement of Agency funds. Under this option, non-Federal funds must always make up at least 25 percent of the RMRF.*
5. **Loan terms and conditions for microlenders. Program loans will be made to microlenders under the following terms and conditions:**
	1. **Funds received from the Agency and any non-Federal share will be deposited into an account that will be the RMRF account and shall not be mingled with other MDO funds. The Agency will hold first lien position on the RMRF account, the LLRF account, and all notes receivable from microloans using Agency funds.**
	2. **The RMRF account will be used to make fixed-rate microloans, accept repayments from microborrowers and reimbursements from the LLRF, to repay the Agency loan and, with the advance written approval of the Agency, to supplement the LLRF with interest or fee earnings from the RMRF.**
	3. **The term of an Agency loan made to a microlender will be 20 years. If requested by the applicant MDO, a shorter term may be agreed upon by the microlender and the Agency. If a repayment workout is required after loan closing, the term of the loan may not exceed a 20-year period from the loan origination date.**
	4. **Each RMAP loan made to a microlender during its first five years of participation in the program will bear an interest rate of 2 percent for the life of the loan. After the fifth year of an MDO’s continuous and satisfactory participation in the program, each new loan made to the microlender will bear interest at a rate of 1 percent. The interest rate on previous loans will remain unchanged. Satisfactory participation requires a loan default rate of 5 percent or less, a pattern of delinquencies of 10 percent or less in the MDO’s RMRF account(s), and timely submission of reports to the Agency as required by** [**§ 4280.311(h)**](#Recordkeeping)**.** *This does not mean that loans to microlenders made during the first five years of participation will have their interest rates reduced from two percent to one percent in the sixth year. It means that a microlender that has been in the program for five years or more, and is otherwise qualified, will be able to borrow any new loans at one percent interest.*
	5. **Each loan made to a microlender will automatically receive a 2-year deferral during which time no repayment to the Agency will be required. The deferral period will begin on the day the Agency’s loan to the microlender is closed. During the initial 2-year deferral period, each loan to a microlender will accrue interest only on funds disbursed by the Agency. Interest accrued during the 2-year deferral period will be capitalized to the loan’s principal balance during the 24th month of the loan unless the microlender chooses to make a voluntary payment of the accrued interest. The required monthly payments to amortize the loan after the 2-year deferral period will be based on the full loan amount plus capitalized interest, not just the amount disbursed to the microlender, even in cases where the Agency’s loan has not been fully advanced to the microlender.** *In the event of any changes to the original loan document or loan agreement, there shall be no deferral of principal after the second anniversary of the original Note date.*
	6. **Except in the case of liquidation or early repayment, loans to microlenders must fully amortize over the life of the loan. The first payment will be due to the Agency on the last day of the 24th month of the life of the loan.** *Payments are due on the last day of the 24th month, as opposed to the first day of the 25th month, in order to conform with the Rural Utilities Loan Servicing System (RULSS) electronic payment collection system.*
	7. **The microlender is responsible for full repayment of its loan to the Agency regardless of the performance of its microloan portfolio. Partial or full repayment of debt to the Agency under the program may be made at any time, including during the deferral period, without any pre-payment penalties being assessed.** *Microlenders will be scored, in part, based on their loan making and servicing histories and capacities. They are expected to be able to make loans to microborrowers that are both in need of financing and of a caliber that anticipates microloan repayment. The microlender must be able to manage its portfolio of microloans so that the loan to the Agency can be repaid.*
	8. **The Agency may call the entire loan due and payable prior to the end of the full term due to any non-performance, delinquency, or default on the loan.**
	9. **The loan closing between the microlender and the Agency should take place within 90 days from the execution of Form RD 1940-1, “Request for Obligation of Funds.” Microlenders that are unable to close the loan within 90 days of obligation must provide justification for the delay or loan funds will be forfeited through a de-obligation of funds.** *A resolution by the MDO’s Board of Directors may be necessary and should be prepared at the time of application or provided shortly thereafter to avoid any delays in loan closing.*
	10. **Microlenders will be eligible to receive a disbursement of up to 25 percent of the total loan amount at the time of loan closing. Funds disbursed at loan closing exceeding 25 percent of the loan amount will only be made if and to the extent that the MDO has made a funding commitment to an eligible microborrower that will be closed within 60 days from the Agency loan date. Interest will accrue on all funds disbursed to the microlender beginning on the date of disbursement.** *The first disbursement is limited to ensure that the lender has one or more loans closed and earning interest, before it begins to accrue significant interest on debt owed to the Agency.*
	11. **Microlenders may request in writing and receive additional loan disbursements until the full amount of the loan to the microlender is disbursed, or until the end of the 36th month of the loan, whichever occurs first. Letters of request for disbursement should be made not more often than quarterly and must be accompanied by a description of the microlender’s anticipated need. Such description will indicate the amount and number of microloans anticipated to be made with the loan disbursement.** *A request for disbursement does not require an actual list of the anticipated microborrowers, only an approximation of anticipated microloan activity in terms of the number of loans expected to be made with the disbursement, and the amount of those loans.*
	12. **Funds not disbursed to the microlender by the end of the 36th month of the loan from the Agency will be de-obligated and no longer available for disbursement to the MDO. In such cases where loan funds are deobligated, the Agency will establish a revised payment schedule to fully amortize the loan balance by its maturity date.** *Microlenders are encouraged to not borrow more than they will be able to relend over the 24-month deferral period and should never borrow more than they will be able to loan out over a three-year period. This helps to ensure that funds are provided to as many microlenders as possible and also helps to ensure that microlenders do not over-borrow and retain extra funding in their accounts that goes unused. This also limits the amount of idle debt owed to the Agency by the microlenders. Finally, it limits the microlender from overextending beyond their debt service capacity to make payments from loan receivables.*
	13. **In the event a microlender fails to meet its payment or reporting obligations to the Agency, the Agency may pursue any combination of the following:**
		1. **Take possession of the RMRF and/or any microloans outstanding, and/or the LLRF;**
		2. **Call the loan due and payable in full; and/or**
		3. **Enter into a workout agreement acceptable to the Agency, which may or may not include transfer or sale of the portfolio to another microlender (whether or not funded under the program) deemed acceptable to the Agency.**
	14. **If a microlender makes a withdrawal from the RMRF for any purpose other than to make a microloan, repay the Agency, or, with advance written approval, transfer an appropriate amount of non-Federal funds to the LLRF, the Agency may take actions including the restriction of further access to withdrawals from the account by the microlender or declaring the loan in default due to improper use of loan funds.**
6. **Loan funding limitations.**

* 1. **Minimum and maximum loan amounts. The minimum loan amount that a microlender may borrow under this program will be $50,000. The maximum amount any microlender may borrow on a single loan under this program, or in any given Federal FY, will be $500,000. In no case will the aggregate outstanding balance owed to the program by any single microlender exceed $2,500,000.**
	2. **Use of funds. Agency loan funds must be used only to establish or recapitalize an existing Agency funded RMRF account out of which microloans will be made, into which microloan payments will be deposited, and from which repayments to the Agency will be made.**
1. **Loan loss reserve fund (LLRF). Each microlender that receives one or more loans under the program will be required to establish an LLRF account.**
	1. **Purpose. The purpose of the LLRF is to protect the microlender and the Agency against losses that may occur as the result of the failure of one or more microborrowers to repay their loans on a timely basis.** *LLRF funds may be transferred to the RMRF to make full or partial loan payments to the Agency, if needed, but should not be done on a regular basis.*
	2. **Capitalization and maintenance. The LLRF is subject to each of the following conditions:**
		1. **The microlender must maintain the LLRF at a minimum of 5 percent of the total amount owed by the microlender under the program to the Agency. If the LLRF falls below the required amount, the microlender will have 30 days to replenish the LLRF. The Agency will hold a security interest in the account and all funds therein until the MDO has repaid its debt to the Agency under this program.** *In the event a microloan fails causing a loss to the microlender, the microlender may move funds from the LLRF to the RMRF in an amount needed to offset the loss to the RMRF.*  *If the transfer of funds results in the LLRF going below an amount equal to 5 percent of the amount owed to the Agency, the microlender will replenish the LLRF to the appropriate level within 30 days.*
		2. **No Agency loan funds may be used to capitalize the LLRF.** *To maintain compliance with the program Cost Share requirements, only non-Federal funds may be used to capitalize the LLRF.*
		3. T**he LLRF must be held in a Federally insured deposit account separate and distinct from any other fund owned by the microlender.** *Provided the microlender is able to identify what reserve funds are attached to which loan from the Agency, all LLRF funds may be held in a single account. That account must be separate and distinct from any other account. If a microlender chooses to house each program LLRF separately from all other program LLRFs, each must be in a separate and distinct account from any other accounts.*
		4. **The LLRF must remain open, appropriately capitalized, and active until such time as any loans owed to the Agency by the microlender under the program related to such LLRF are paid in full.**
	3. **Use of LLRF. The LLRF must be used only to:**
		1. **Recapitalize the RMRF in the event of the loss and write-off of a microloan*;***
		2. **Accept Non-Federal deposits as required for maintenance of the fund at a level equal to 5 percent or more of the amount owed to the Agency by the microlender under the program; and**
		3. **Prepay or repay the Agency program loan.**
	4. **LLRF funded at time of closing. The LLRF account must be established by the microlender prior to the closing of the loan from the Agency. At the time of initial loan closing, sources of funding for the LLRF must be identified by the microlender and funds equal to 5 percent of the initial loan disbursement, if made at loan closing, must be made to the LLRF by the microlender. The amount in the LLRF can be built over time and must be maintained in an amount greater than or equal to 5 percent of the amount owed to the Agency by the microlender under the program. After the first disbursement is made to a microlender, further disbursements will only be made if the LLRF is funded at the appropriate amount. After the initial loan is made to a microlender, subsequent loan closings may require a deposit of additional funds to the LLRF to maintain an amount equal to 5 percent of the total loan balance owed to the Agency under the program. Federal funds, except where specifically permitted by other laws, may not be used to fund the LLRF.**
	5. **Additional LLRF funding. In the event of exhibited weaknesses, such as losses that are greater than 5 percent of the microloan portfolio or a microborrower delinquency rate in excess of 10 percent, the Agency may require the microlender to deposit additional funds into the LLRF; however, the Agency may never require an LLRF balance of more than 10 percent of the total amount owed to the Agency by the microlender.**
2. **Recordkeeping, reporting, and oversight. Microlenders must maintain all records applicable to the program and make them available to the Agency upon request. Microlenders must submit quarterly reports as specified in paragraphs (h)(1) through (4) of this section.** *The quarterly reports must be reviewed within 30 days and placed in the case file. Based on the monitoring processes in place, e.g., quarterly reports, these should be used to provide a status on the semi-annual ULO Certification report.* **Portfolio reporting requirements must be met via the electronic reporting system. Other reports, such as narrative information, may be submitted as hard copy in the event the microlender or grantee does not have the capability to submit or accept such reports electronically.**
	1. **Periodic reports. On a quarterly basis, within 30 days of the end of each Federal FY calendar quarter, each microlender that has an outstanding loan under this section must provide to the Agency:**
		1. **An Agency-approved form containing such information as the Agency may require, and in accordance with OMB circulars and guidance, to ensure that funds provided are being used for the purposes for which the loan to the microlender was made;**
		2. **Listing of each microborrower under this program, their loan balance and payment status; and**
		3. **A discussion reconciling the microlender’s actual results for the period against its goals, milestones, and objectives as provided in the application package.**
	2. **Minimum retention. Microlenders must provide evidence in their quarterly reports that the sum of the unexpended amount in the RMRF, plus the amount in the LLRF, plus debt owed by the microborrowers is equal to a minimum of 105 percent of the amount owed by the microlender to the Agency, unless the Agency has established a higher LLRF reserve requirement for a specific microlender.**
	3. **Combining accounts and reports. If a microlender has more than one loan from the Agency, a separate report must be made for each loan except when RMRF accounts have been combined. A microlender may combine RMRF accounts only when the Agency approves the combining of accounts and reports in writing before such accounts are combined and reports are submitted, and:**
		1. **The underlying loans have the same rates, terms and conditions, including the method of determining matching funds for a microborrower’s project; and** *An RMRF that meets the Cost Share requirements of paragraph (d)(1)of this section through the microborrower level option cannot be combined with a RMRF that meets the Cost Share requirements through the RMRF level option as stated in paragraph (d)(2) of this section*.
		2. **The combined report allows the Agency to effectively administer the program, including providing the same level of transparency and information for each loan as if separate RMRF and LLRF reports had been prepared.**
	4. **Delinquency. In the event that a microlender has delinquent loans in its RMAP portfolio, quarterly reports will include narrative explanation of the steps being taken to cure the delinquency.**
	5. **Other reports. Other reports may be required by the Agency from time to time in the event of poor performance, one or more work-out agreements, or other such occurrences that require more than the usual set of program servicing.**
	6. **Access to microlender’s records. Upon request by the Agency, the microlender will permit representatives of the Agency to inspect and make copies of any records pertaining to operation and administration of the program. Such inspection and copying may be made during regular office hours of the microlender or at any other time agreed upon between the microlender and the Agency.**
	7. **Changes in key personnel. Before any additions or changes are made to key personnel, the microlender must notify, and the Agency must approve, such changes. Such approval shall not be unreasonably withheld by the Agency.**

# § 4280.312 Loan approval and closing.

1. **Loan approval and obligating funds. The loan will be considered approved on the date the signed copy of Form RD 1940–1, “Request for Obligation of Funds,” is executed by the Agency. Form RD 1940–1 authorizes funds to be obligated and may be executed by the Agency after the microlender has signed the document, provided that the microlender has the legal authority to contract for a loan and to enter into required agreements, including an Agency-approved loan agreement, and meets all program loan requirements.** *Both the microlender and the RD Approving Official are required to sign Form RD 1940-1. The RD Approving Official has 7 days to sign the returned Form RD 1940-1. The obligation must be processed in the appropriate system within 7 days of the executed form. The requesting official will record the date and time of request, and initial on the original. A copy of the executed Form RD 1940-1 must be placed in the applicant’s case file. After the loan has been approved, the Agency loan approval official will prepare the promissory note and loan agreement for review by the Regional OGC, if necessary, and the MDO.*
2. **Letter of conditions. Upon reviewing the conditions and requirements in the letter of conditions, the applicant must complete, sign, and return Form RD 1942-46, “Letter of Intent to Meet Conditions,” to the Agency; or if certain conditions cannot be met, the applicant may propose alternate conditions. The Agency will review any requests for changes to the letter of conditions and may approve only minor changes that do not materially affect the microlender and remain within the program requirements. Changes in legal entities prior to loan closing will not be approved.** *The Agency loan approval official must concur in writing with any changes made to the initially issued or proposed letter of conditions prior to Agency acceptance.**Requirements listed in letters of conditions will ordinarily include the maximum amount of loan which may be considered, terms of the loan, description of the use of loan funds, verification requirements, cost share requirements, disbursement of funds, security requirements, and any required audit reports.*
3. **Loan closing.** *After the loan has been approved, unless other arrangements have been made, the Agency loan approval official will prepare the promissory note and loan agreement for review by the Regional OGC, if necessary, and the MDO. In all cases, the Agency loan approval official will conduct a review before the loan is closed to assure that all requirements of the application, letter of conditions, and loan agreement have been met including required certifications and deposit accounts and will provide such verification in the loan file, including arrangements for annual audit reports.*
	1. **Prior to loan closing, microlenders must provide evidence that the RMRF and LLRF bank accounts have been set up and the LLRF has been or will be funded as described in** [**§ 4280.311(g)(4)**](#LLRF)**. Such evidence shall consist of:**
		1. **A pre-authorized debit form allowing the Agency to withdraw payments from the RMRF account, and in the event of a repayment workout, from the LLRF account;**
		2. **An Agency-approved automatic deposit authorization form, from the depository institution providing the Agency with the RMRF account number, into which funds may be deposited at time of disbursement to the microlender;**
		3. **A statement from the depository institution as to the amount of cash in the LLRF account;**
		4. **An Agency-approved promissory note and a loan agreement for each loan to the MDO must be executed at loan closing. The loan agreement will be prepared by the Agency using Form RD 4274-4, "Intermediary Relending Program/Rural Microentrepreneur Assistance Program Loan Agreement," and reviewed by the MDO prior to loan closing; and**
		5. **An appropriate security agreement on the LLRF and RMRF accounts must be executed at loan closing.**
	2. **At loan closing, the microlender must certify that:**
		1. **All requirements of the letter of conditions have been met; and**
		2. **There has been no material adverse change in the microlender, its key personnel, or its financial condition since the issuance of the letter of conditions. If one or more adverse changes have occurred, the microlender must explain the changes and the Agency must determine that the microlender remains eligible and qualified to participate as an MDO.**
	3. **The microlender will provide sufficient evidence that no lawsuits or other legal issues are pending or threatened that would adversely affect the security of the microlender when Agency security instruments are filed.**

# § 4280.313 Grant provisions.

**Grants offered under this program will be made to eligible MDOs in such amounts and requirements for microlenders with a loan(s) from the Agency, and for MDOs that seek only a TA grant from the Agency. Competition for these funds will occur as a part of the application and qualification process of becoming a microlender or grant recipient. No entity will receive grant funding as both a microlender and a TA-only provider. RMAP microlenders are not eligible for TA-only grant funding and an MDO receiving TA-only grant funding is not eligible for microlender grant funding. Failure to meet scoring benchmarks will preclude an applicant from receiving loan and/or grant dollars. Once an MDO is participating as a microlender, technical assistance grant funds will be made available annually based on the MDO’s lending balances and the availability of funds.**

1. **Microlender grants. The Agency shall make microlender TA grants to microlenders to assist them in providing marketing, management, and other technical assistance to rural microentrepreneurs and microenterprises that have received or are seeking one or more microloans from the microlender. The capacity of a microlender to provide an integrated program of microlending and technical assistance will be evaluated during the scoring process with their loan application and then annually in determining the amount of annual grant funds. An eligible MDO selected to be a microlender will be eligible to receive a microlending TA grant if it receives funding to provide microloans under this program. Microlender applicants for loan funding to establish or replenish a revolving loan fund originally capitalized under this program, may simultaneously apply for technical assistance grant funds in an amount not to exceed 25 percent of the requested loan amount.** *The Microlender will be expected to adhere to the technical assistance estimates provided in their loan application and keep their administrative expenses to a minimum.*

**Technical assistance grants to microlenders will be awarded annually on a non-competitive basis in an amount based on the MDO’s outstanding loan balance as of June 30, subject to satisfactory program performance of the microlender and the availability of funds. Satisfactory performance includes the timely payment of program loan(s) and the submission of periodic reports to the Agency. Annual TA grants to a microlender, subject to the availability of funds, will be made in an amount to replenish the microlender’s TA fund to an amount equal to 20 percent of the outstanding principal balance of loans made by the microlender to ultimate recipients unless otherwise published in an annual program funding notice. If available grant funds are not sufficient to fully replenish each microlender’s TA funds to 20 percent of their outstanding loan balance, the available funds will be distributed proportionately based on the percentage of available funds to the total amount of annual TA grant funds requested.** *Microlenders seeking to replenish their technical assistance funds must complete a grant worksheet each year stating the principal balance of outstanding loans made to ultimate recipients from program funds and the balance of any unused technical assistance funds as of June 30. This worksheet is available on the Agency’s website and must be delivered to the Rural Development State Office by July 31 to be considered for annual grant funding by the National Office.*

* 1. **Any grant dollars obligated but not spent by the microlender from their initial or subsequent grants will be subtracted from the subsequent year’s grant eligibility calculation to ensure that obligations cover only microloans made and active and that the MDO’s total grant funds available for technical assistance do not exceed the established 20 percent threshold.**
	2. **The microlender will agree to use TA grant funds exclusively for providing TA and training to eligible microentrepreneurs and microenterprises, with the exception that up to 10 percent of the grant funds may be used to cover the microlender’s administrative expenses. Grant funds may not be used to make loan payments.** *Technical assistance funds are disbursed by the Agency on a reimbursement basis for expenses incurred. The microlender will provide details of the type of assistance offered and the related expenses.*
1. **Technical assistance only grants. Grants will be competitively made to MDOs for the purpose of providing TA and training to prospective microborrowers. Technical assistance-only grants will be provided to eligible MDOs that seek to provide business-based TA and training to eligible microentrepreneurs and microenterprises, but do not seek funding as a microlender for an RMRF.**
	1. **The amount of a TA-only grant under this program will not exceed 10 percent of the amount of authorized appropriations available in any Federal fiscal year for TA-only grants.**
	2. **Technical assistance only grants will have a grant term not to exceed 12 months from the date the grant agreement is signed.**
	3. **Technical assistance only grantees will be required to:**
		1. **Refer clients to internal or external non-program funded lenders for loans of $50,000 or less, and**
		2. **Collect data regarding such clients. Technical assistance-only grantees will be considered successful if a minimum of 1-in-5 TA clients are referred for a microloan and are operating a business within 18 months of receiving TA from the MDO.** *Information regarding the number of businesses assisted and any use of TA funds in low-income or underserved areas must be provided by the MDO in their final grant report.*
2. **Matching requirement. The MDO is required to provide a match of not less than 15 percent of the total amount of the grant in the form of matching funds, indirect costs, or in-kind goods or services. Unless specifically permitted by laws other than the statute authorizing RMAP, matching contributions must be made up of non-Federal funds.**
3. **Administrative expenses. Not more than 10 percent of a grant received by an MDO for a Federal FY may be used to pay administrative expenses. Microlenders must annually submit a budget of proposed administrative expenses for Agency approval. The Agency has the right to deny the requested amount, even if it is at 10 percent or less, and to fund administrative expenses at a lower level.** *Technical assistance funds are disbursed by the Agency on a reimbursement basis for expenses incurred. The microlender will provide details of the type of assistance offered and the related expenses.*
	1. **Administrative expenses should be kept to a minimum. As such, the applicant MDO is required in the application materials to provide an administrative budget plan indicating the amount of funding it will need for administrative purposes. Applicants will be scored accordingly, with those using less than 10 percent of the grant funds for administrative purposes being scored higher than those using 10 percent of the grant funds for administrative purposes.**
	2. **While operating the program, the selected grantee will be expected to adhere to the estimates it provides in its application and annual budget. If for any reason the MDO cannot meet those expectations, it must contact the Agency in writing with justification to request a budget adjustment. Budget adjustments will be considered only if the adjustment result for administrative expenses is within the 10 percent limitation.**
	3. **Microlenders that exceed 10 percent for administrative expenses will be considered in performance default and may be subject to Agency actions including the forfeiting of funds.**
4. **Ineligible grant purposes. Grant funds, matching funds, indirect costs, and in-kind goods and services may not be used for:**
	1. **Grant application preparation costs;**
	2. **Costs incurred prior to the obligation date of the grant;**
	3. **Capital improvements;**
	4. **Political or lobbying activities;**
	5. **Assistance to any ineligible entity;**
	6. **Payment of any judgment or debt owed; or**
	7. **Payment of any loan.**
5. **Facilitation of access to capital. Technical assistance-only grantees will be expected to provide training and TA services to the extent that access to capital for eligible microentrepreneurs and microenterprises is facilitated by referral to either an internal or external non-program loan fund so that these clients may take advantage of available financing programs.**
6. **Grant agreement. For any grant to an MDO or microlender, the Agency will notify the approved applicant in writing, using an Agency-approved grant agreement, setting out the conditions under which the grant will be made. The form will include those matters necessary to ensure that the proposed grant is completed in accordance with the proposed project, that grant funds are expended for authorized purposes, and that the applicable requirements prescribed in the relevant Agency regulations are complied with.**

# § 4280.314 [Reserved]

# § 4280.315 MDO application and submission information.

1. **Initial and subsequent applications. Applications shall be submitted in accordance with the provisions of this subpart unless adjusted by the Agency in an annual Federal Register document.** **The information required in §§** [**4280.315**](#MDO) **and** [**4280.316**](#Application) **is necessary for an application to be considered complete. Only those applicants that meet the basic eligibility requirements in** [**§ 4280.310**](#Program) **will have their applications fully scored and considered for participation in the program under this section. When preparing applications, applicants are strongly encouraged to review the application requirements and scoring criteria in §** [**4280.316**](#Application) **and provide documentation that will support a competitive score.** *An MDO may submit an initial or subsequent application for a TA-only grant, an initial application for a loan with a microlender technical assistance grant, or an initial or subsequent loan-only without a microlender technical assistance grant. A microlender does not need to submit a subsequent application for its annual microlender technical assistance grant, but must provide a worksheet as stated in Section* [*4280.313(a)(1)*](#Technical)*.*
2. **Content and form of submission. All applicants must provide the information specified in paragraph (c) of this section. Additional application information is required in paragraph (d) of this section depending on the type of application being submitted.**
3. **Application information for all applicants. All applicants must provide the following information and forms fully completed and with all attachments:**
	1. **Standard Form-424, “Application for Federal Assistance” for grants.**
	2. **Standard Form-424A, “Budget Information – Non-Construction Programs.”**
	3. **For entities applying for program loan funds to become an RMAP microlender only, Form RD 1910-11, “Certification of No Federal Debt.”**
	4. **Form RD 400-8, “Compliance Review” or sufficient demographic information for Agency completion of Form RD 400-8.** *Compliance reviews are conducted by the Agency; however, the applicant should supply the information.*
	5. **Demonstration that the applicant is eligible to apply to participate in the program by submission of documentation as follows:**
		1. **If a nonprofit entity, evidence that the applicant organization meets the citizenship requirements and a copy of the applicant’s bylaws and articles of incorporation, which include evidence that the applicant is legally considered a non-profit organization;**
		2. **If an Indian tribe, evidence that the applicant is a federally recognized Indian tribe, and that the Indian tribe neither operates nor is currently served by an existing MDO;**
		3. **If a public institution of higher education, evidence that the applicant is a public institution of higher education; and**
		4. **For nonprofit applicants only, a Certificate of Good Standing, not more than six (6) months old, from the Office of the Secretary of State in the State in which the applicant is located. If the applicant has offices in more than one state, then the state in which the applicant is organized and licensed will be considered the home location.**
	6. **Certification by the applicant that it cannot obtain sufficient credit elsewhere to fund the activities called for under the program with similar rates and terms.**
4. **Type of application specific information. In addition to the information required under paragraph (c) of this section, the following information is also required, as applicable:**
	1. **An applicant with more than 3 years of experience as an MDO outside of the program seeking to participate as an RMAP microlender must provide sufficient documentation to validate its years of experience.**
	2. **An applicant with 3 years or less experience as an MDO outside of the program seeking to participate as an RMAP microlender must provide the additional information specified in** [**§ 4280.316(c)**](#Threeyrsorless)**.**
	3. **An applicant seeking status as a microlender must identify in its application which cost-share option(s) the applicant will utilize, as described in** [**§ 4280.311(d)**](#Costshare)**, to meet the Federal cost share requirement. If the applicant will utilize the RMRF-level option, the applicant shall identify the amount(s) and source(s) of the non-Federal share.**
	4. **An applicant seeking TA-only grant funds must provide the additional information specified in** [**§ 4280.316(d)**](#TAonlygrants)**.**
5. **Application limits. Microenterprise Development Organizations may only submit and have pending for consideration one application at any given time, which is for either microlender funds or TA-only funds.**
6. **Completed applications. Applications that fulfill the requirements specified in paragraphs (a) through (e) of this section will be fully reviewed, scored, and ranked by the Agency in accordance with the provisions of §** [**4280.316**](#Application)**.** *All applications must be entered into the GLS system within 7 days of receipt including the type of application and date of submission. All complete applications will be scored in compliance with Section* [*4280.316*](#Application) *and coded as awaiting funding from the National Office in the GLS system. All complete applications received in a State Office during a Federal Fiscal Quarter will compete for funds in that quarter.*

# § 4280.316 Application scoring.

**Applications will be scored based on the criteria specified in this section using only the information submitted in the application. The total available points per application are 100 as shown in paragraphs (a) through (e) of this section. Awards will be based on the points ranking, with the highest scoring applications being funded first from the available funding.** *Agency personnel are to ensure that points awarded are supported by documentation provided by the applicants. Narratives should be read carefully and compared to such documentation. Narratives scoring the highest score possible should be justified by the reviewing official and the documentation used should be pointed to in the justification. Entities selected to be microlenders are also being selected for their ability to train/mentor/and make technical assistance available to microborrowers. Therefore, it is essential that scoring of the narratives be accurate and supportable so as to ensure quality programming for microbusiness entities.*

1. **Application requirements for all applicants. All applicants must submit the eligibility and application information described in §** [**4280.315**](#MDO)**. The maximum points available in this part of the application are 45. In addition to the eligibility information, all applicants will submit:**
	1. **An organizational chart clearly showing the positions and naming the individuals in those positions. Of particular interest to the Agency are management positions and those positions essential to the operation of microlending and TA programming. Up to 5 points will be awarded based on the completeness of the organizational chart and management experience.**
	2. **Resumes for each of the individuals shown on the organizational chart and indicated as key to the operation of the activities to be funded under the program. There should be a corresponding resume for each of the key individuals noted and named on the organizational chart. Points will be awarded based on the quality of the resumes and on the ability of the key personnel to administer the program. Up to 5 points will be awarded.**
	3. **A succession plan to be followed in the event of the departure of personnel key to the operation of the applicant’s RMAP activities. Up to 5 points will be awarded.**
	4. **Information indicating an understanding of microenterprise development concepts. Provide those parts of your policy and procedures manual that deal with the provision of loans, management of loan funds, and provision of TA. Up to 5 points will be awarded.**
	5. **The applicant’s most recent, and two year’s previous, financial statements. Points will be awarded based on the demonstrated ability of the applicant to maintain or grow its fund balance, its ability to manage one or more federal programs, and its capacity to manage multiple funding sources, including restricted and non-restricted funding sources, income, earnings, and expenditures. Up to 10 points will be awarded.**
	6. **A copy of the applicant’s organizational mission statement. The mission statement will be rated based on its relative connectivity to microenterprise development and general economic development and may or may not be a part of a larger statement. Up to 5 points will be awarded.**
	7. **Information regarding the geographic service area to be served, which must be rural as defined, and include the number of counties or other jurisdictions to be served. Note that the applicant will not be scored on the size of the service area, but on its ability to fully cover the service area as described. Up to 10 points will be awarded.**
2. **Program loan application requirements for MDOs seeking to participate as RMAP microlenders with more than 3 years of experience. In addition to the information required under paragraph (a) of this section, applicants with more than three (3) years of experience as a microlender, including non-RMAP microloans, must also provide the information specified in paragraphs (b)(1) through (5) of this section. The total number of points available under this section (in addition to the up to 45 points available in paragraph (a) of this section) is 55.**
	1. **History of provision of microloans. The applicant must provide data regarding its history of making microloans for the three years previous to this application by answering the questions in paragraphs (b)(1)(i) through (v) of this section. This information should be provided clearly and concisely in numerical format as the data will be used to calculate points as noted. Up to a maximum of 20 points may be awarded under this criterion.**
		1. **Number and amount of microloans made during each of the three previous years.**
		2. **Number and amount of microloans made in rural areas, as defined, in each of the three years prior to the year in which the application is submitted. If the history of providing microloans in rural areas shows at least one loan made in:**
			1. **Three or more consecutive years immediately prior to the application, 5 points will be awarded;**
			2. **At least two of the years but not more than the three consecutive years immediately prior to this application, 3 points will be awarded;**
			3. **At least 6 months, but not more than one year immediately prior to this application, 1 point will be awarded.**
		3. **Calculate and enter the total number of microloans made in rural areas as a percentage of the total number of all microloans made for each of the past three years. If the percentage of the total number of microloans made in rural areas is:**
			1. **75 percent or more, 5 points will be awarded;**
			2. **At least 50 percent but less than 75 percent, 3 points will be awarded;**
			3. **At least 25 percent but less than 50 percent, 1 point will be awarded.**
		4. **Enter the dollar amount of microloans made in rural areas as a percentage of the dollar amount of the total portfolio (rural and non-rural) of microloans made for each of the previous three years. If the percentage of the dollar amount of the microloans made in rural areas is:**
			1. **75 percent or more of the total amount, 5 points will be awarded;**
			2. **At least 50 percent but less than 75 percent, 3 points will be awarded;**
			3. **At least 25 percent but less than 50 percent, 1 point will be awarded.**
		5. **Each applicant shall compare the diversity of its entire microloan portfolio to the demographic makeup of its service area (as determined by the latest applicable decennial census for the state) based on the number of microloans made during the three years preceding the subject application. Demographic groups shall include** **and** **sex *(updated to “sex” to align with the Executive Orders)*, racial and ethnic minority status, and disability (as defined in the Americans with Disabilities Act). Points will be awarded on the basis of how close the MDO’s microloan portfolio matches the demographic makeup of its service area. A maximum of 5 points will be awarded.**
			1. **If at least one loan has been made to each of the three demographic groups and if the percentage of loans made to each demographic group is 5 percent or less of their demographic makeup, 5 points will be awarded.**
			2. **If at least one loan has been made to each demographic group and if the percentage of loans made to each demographic group is each between 5 to 10 percent or less of the demographic makeup, 3 points will be awarded.**
			3. **If at least one loan has been made to each demographic group and if the percentage of loans made to one or more of the demographic groups is greater than 10 percent of the demographic makeup, 1 point will be awarded.**
			4. **If no loans have been made to two or more demographic groups, no points will be awarded.**
	2. **Portfolio management. The applicant’s ability to manage its portfolio will be determined based on the data provided in response to paragraphs (b)(2)(i) and (ii) of this section and scored accordingly. The maximum number of points under this criterion is 10.**
		1. **Enter the total number of the applicant’s microloans paying on time for the three previous years. If the total number of microloans paying on time at the end of each year over the prior three years is:**
			1. **95 percent or more, 5 points will be awarded;**
			2. **At least 85 percent but less than 95 percent, 3 points will be awarded;**
			3. **Less than 85 percent, 0 points will be awarded.**
		2. **Enter the total number of microloans currently 30 to 90 days in arrears, or that have been written off over the three previous years. If the total number of these microloans is:**
			1. **5 percent or less of the total portfolio, 5 points will be awarded;**
			2. **More than 5 percent, 0 points will be awarded.**
	3. **History of provision of technical assistance. The applicant’s history of provision of TA to microentrepreneurs and microenterprises, and its ability to reach diverse communities, will be scored based on the data specified in paragraphs (b)(3)(i) through (iii) of this section. Applicants may use a chart to provide this information as they deem appropriate. The maximum number of points under this criterion is 15.**
		1. **Provide the total number of rural and non-rural microentrepreneurs and microenterprises that received both microloans and TA services for each of the previous three years. Of this total number, provide the percentage of rural microentrepreneurs and rural microenterprises that received both microloans and TA services for each of the previous three years. If the provision of both microloans and TA services to rural microentrepreneurs and rural microenterprises is demonstrated at a rate of**
			1. **75 percent or more, 5 points will be awarded;**
			2. **At least 50 percent but less than 75 percent, 3 points will be awarded;**
			3. **At least 25 percent but less than 50 percent, 1 point will be awarded.**
		2. **Provide the percentage of the total number of rural microentrepreneurs and rural microenterprises by racial and ethnic minority, disabled, and/or and sex *(updated to “sex” to align with the Executive Orders)* that received both microloans and TA services for each of the previous three years. If the demonstrated provision of microloans and TA services to these rural microentrepreneurs and rural microenterprises is at a rate of:**
			1. **75 percent or more, 5 points will be awarded;**
			2. **At least 50 percent but less than 75 percent, 3 points will be awarded;**
			3. **At least 25 percent but less than 50 percent, 1 point will be awarded.**
		3. **Provide the ratio of TA clients that also received microloans, rounding to the nearest whole number, during each of the previous three years. If the ratio of clients receiving TA services to clients receiving microloans is:**
			1. **Between 1:1 and 1:5, 5 points will be awarded.**
			2. **Between 1:6 and 1:8, 3 points will be awarded.**
			3. **A ratio of either 1:9 or 1:10, 1 point will be awarded.**
	4. **Ability to provide technical assistance. In addition to providing a statistical history of their provision of TA to microentrepreneurs, microenterprises, and microborrowers, applicants must provide a narrative of not more than five pages describing the teaching and training methods used by the applicant organization to provide such TA and discussing the outcomes of their endeavors. Technical assistance is defined in** [**§ 4280.302**](#Definition)**. The narrative will be scored as specified in paragraphs (b)(4)(i) through (iii) of this section. Points may be awarded for each of the categories. The maximum number of points under this criterion is 5.**
		1. **Applicants that have used more than one method of training and TA (e.g., classroom training, peer-to-peer discussion groups, individual assistance, distance learning) will be awarded 2 points.**
		2. **Applicants that provide success stories to demonstrate the effects of TA on their clients will be awarded 2 points.**
		3. **Applicants that provide evidence that they require evaluations by the clients of their training programs and indicate that the average level of evaluation scores is “good” or higher will be awarded 1 point.**
	5. **Proposed administrative expenses to be spent from TA grant funds. The maximum number of points under this criterion is 5.** *The reason for this criterion is to establish the level of efficiency with which the applicant anticipates operating the program. Utilization of Agency funds for lending, rather than administration, is desirable.*  **If the percentage of grant funds to be used for administrative purposes is:**
		1. **Less than 5 percent of the TA grant funds, 5 points will be awarded;**
		2. **Equal to 5 percent but less than 8 percent, 3 points will be awarded;**
		3. **Equal to 8 percent or greater, 0 points will be awarded.**
3. **Application requirements for MDOs seeking to participate as RMAP microlenders with 3 years or less experience. In addition to the information required under paragraph (a) of this section, an applicant MDO with 3 years or less experience that is applying to be a microlender must submit the information specified in paragraphs (c)(1) through (8) of this section. The total number of points available under this paragraph, in addition to the maximum of 45 points available in paragraph (a) of this section, is 55, for a total of 100.**
	1. **The applicant must provide a narrative work plan that clearly indicates its intention for the use of loan and grant funds. Provide goals and milestones for planned microlending and TA activities. In relation to the information requested in paragraph (a) of this section, the applicant must describe how it will incorporate its mission statement, utilize its employees, and maximize its human and capital assets to meet the goals of this program. The applicant must provide its strategic plan and organizational development goals and clearly indicate its lending goals for the five years after the date of application. The narrative work plan should be not more than five pages in length. Up to a maximum of 10 points will be awarded.**
	2. **The applicant will provide the date that it began business as an MDO or other provider of business education and/or facilitator of capital. This date will reflect when the applicant became licensed to do business by the Secretary of State, or trival equivalent, in which it is registered and engaged regularly paid staff to conduct business on a daily basis. If the applicant has been in business for:**
		1. **More than 2 years but less than 3 years, 5 points will be awarded;**
		2. **At least 1 year, but not more than 2 years, 3 points will be awarded;**
		3. **At least 6 months, but not more than 1 year, 1 point will be awarded;**
		4. **Less than 6 months, or more than 3 full years, 0 points will be awarded. (If more than 3 full years, the applicant must apply under the provisions for MDOs with more than 3 years of experience as specified in paragraph b of this section.)**
	3. **The applicant must describe in detail any microenterprise development training received by it as a whole, or its employees as individuals, to date. The narrative may refer reviewers to already submitted resumes to save space. The training received will be rated on its topical variety, the quality of the description, and its relevance to the organization’s strategic plan. The applicant should not submit training brochures or conference announcements. Up to a maximum of 10 points will be awarded.**
	4. **The applicant must indicate its current number of employees, those that concentrate on rural microentrepreneurial development, and the current average caseload for each. Indicate how the caseload ratio does or does not optimize the applicant’s ability to perform the services described in the work plan. Discuss how Agency grant funds will be used to assist with TA program delivery and how funding of the program loan application will affect the portfolio. Up to 5 points will be awarded.**
	5. **Applicants may submit a maximum of five (5) letters of support with one point awarded for each letter.  Support letters should be signed and dated and come from potential beneficiaries and other local organizations.  Letters received from Congressional members and technical assistance providers will not be included in the count of support letters received.  Additionally, identical form letters signed by multiple potential beneficiaries and/or local organizations will not be included in the count of support letters received. The applicant must indicate any training organizations with which it has a working relationship. Provide contact information for references regarding the applicant’s capacity to perform the work in the plan provided. Up to a maximum of five (5) points will be awarded.**
	6. **Describe any plans for continuing training relationship(s), including ongoing or future training plans and goals, and the timeline for the same. Up to 5 points will be awarded.**
	7. **The applicant will describe its internal benchmarking system for determining client success, reporting on client success, and following client success for up to 5 years after completion of a training relationship. Up to 10 points will be awarded.**
	8. **The applicant will identify its proposed administrative expenses to be spent from TA grant funds. The maximum total number of points under this criterion is 5. If the percentage of grant funds to be used for administrative purposes is:**
		1. **Less than or equal to 5 percent of the TA grant funds, 5 points will be awarded;**
		2. **More than 5 percent but less than 8 percent, 3 points will be awarded;**
		3. **Equal to 8 percent or greater, 0 points will be awarded.**
4. **Application requirements for MDOs seeking TA-only grants. Technical Assistance-only grants may be provided to MDOs that are not RMAP microlenders seeking to provide training and TA to rural microentrepreneurs and rural microenterprises. An applicant seeking a TA-only grant must submit the information specified in paragraphs (d)(1) through (4) of this section. The total number of points available under this section, in addition to the 45 points available in paragraph (a) of this section, is 55, for a total of 100 points.**
	1. **History of provision of technical assistance. Each applicant’s history of provision of TA to microentrepreneurs and microenterprises, and its ability to reach diverse communities, will be scored based on the data specified in paragraphs (d)(1)(i) through (iii) of this section. The maximum number of points under this criterion is 20.**
		1. **Provide the total number of rural and non-rural microentrepreneurs and microenterprises that received both TA services and resultant microloans for each of the previous three years. Of this total number, provide the percentage of rural microentrepreneurs and rural microenterprises that received both TA services and resultant microloans for each of the previous three years. If the provision of both TA services and resultant microloans to rural microentrepreneurs and rural microenterprises is demonstrated at a rate of:**
			1. **75 percent or more, 5 points will be awarded;**
			2. **At least 50 percent but less than 75 percent, 3 points will be awarded;**
			3. **At least 25 percent but less than 50 percent, 1 point will be awarded.**
		2. **Provide the percentage of the total number of rural microentrepreneurs by racial and ethnic minority, disabled, and/or and sex *(updated to “sex” to align with the Executive Orders)* that received both microloans and TA services for each of the previous three years. If the demonstrated provision of TA and resultant microloans to these rural microentrepreneurs when compared to the total number of microentrepreneurs assisted, is at a rate of:**
			1. **75 percent or more, 10 points will be awarded;**
			2. **At least 50 percent but less than 75 percent, 7 points will be awarded;**
			3. **At least 25 percent but less than 50 percent, 5 points will be awarded.**
		3. **Provide the ratio of TA clients that also received microloans during each of the last three years, rounded to the nearest whole number. If the ratio of clients receiving TA to clients receiving microloans is:**
			1. **Between 1:1 and 1:5, 5 points will be awarded.**
			2. **Between 1:6 and 1:8, 3 points will be awarded.**
			3. **Either 1:9 or 1:10, 1 point will be awarded.**

* 1. **Ability to provide TA. In addition to providing a statistical history of their provision of TA to microentrepreneurs, microenterprises, and microborrowers, applicants must provide a narrative of not more than five pages describing the teaching and training method(s) used by the applicant organization to provide TA and discussing the outcomes of their endeavors. The narrative will be scored as specified in paragraphs (d)(2)(i) through (iv) of this section. The maximum number of points under this criterion is 20.**
		1. **Applicants that have used more than one method of training and TA (e.g., classroom training, peer-to-peer discussion groups, individual assistance, and distance learning) will be awarded 5 points.**
		2. **Applicants that provide success stories to demonstrate the effects of TA on their clients will be awarded points under either of the following paragraphs, but not both:**
			1. **News stories that highlight businesses made successful as a result of the applicant’s TA; 5 points will be awarded.**
			2. **Internal stories that highlight businesses made successful as a result of TA, 3 points.**
		3. **Applicants that provide evidence that they require evaluations by the clients of their training programs will be awarded 3 points. Applicants will provide the total number of evaluations received and the average score from the evaluations received. An additional two points will be awarded if the total evaluation scores are above an average of 3.0 on a five-point scale, with points determined by the client ratings on a declining scale as follows:**
			1. **Extremely Satisfied , 5 points.**
			2. **Satisfied, 4 points.**
			3. **Average, 3 points.**
			4. **Dissatisfied, 2 points.**
			5. **Very Unsatisfied, 1 point.**
		4. **Applicants that present well-written narrative information regarding their programs and services to be delivered and their outreach efforts within the service area that is clearly and concisely written and is five pages or less will be awarded up to a maximum of 5 points.**
	2. **Technical assistance plan. Submit a concise plan for the provision of TA explaining how the funds will benefit the current program and how it will allow the applicant to expand its non-program microlending activities. Up to 10 points will be awarded.**
	3. **Proposed administrative expenses to be spent from TA grant funds. The maximum number of points under this criterion is 5. If the percentage of grant funds to be used for administrative purposes is:**
		1. **Less than or equal to 5 percent of the TA grant funds, 5 points will be awarded;**
		2. **More than 5 percent but less than 8 percent, 3 points will be awarded;**
		3. **Equal to of 8 percent or greater, 0 points will be awarded.**
1. **Re-application requirements for participating microlenders with more than 5 years of experience as a microlender under this program.**
	1. **Microlender applicants with more than 5 years of experience as an MDO under this program may choose to submit a shortened loan/grant application that includes the following:**
		1. **A letter of request for funding stating the amount of loan and/or grant funds being requested;**
		2. **An indication of the loan and/or grant amounts being requested accompanied by a completed Form SF 424 and any pertinent attachments;**
		3. **An indication of the number and percent of the MDO’s microentrepreneurs and microenterprises remaining in business for two years or more after microloan disbursement from program funds; and**
		4. **A recent resolution of the applicant’s Board of Directors approving the application for debt.**
	2. **The Agency, using this request and data available in the reports submitted under previous funding(s), will review the overall program performance of the applicant over the life of its participation in the program to determine its continued qualification for subsequent funds. Requirements include:**
		1. **A loan default rate of 5 percent or less;**
		2. **A pattern of delinquencies during the period of participation in this program of 10 percent or less;**
		3. **A pattern of use of TA dollars that indicates at least one in ten TA clients receive a microloan;**
		4. **A statement discussing the need for more funding, accompanied by account documentation showing the amounts in each of the RMRF and LLRF accounts established to date; and**
		5. **A pattern of compliance with program reporting requirements.**
	3. **Shortened applications under this section will be rated on a pass or fail basis. Passing applications will be assigned a score of 90 points and will be ranked accordingly in the** **quarterly competitions. Failing applications under this section will be scored 0 and experienced MDOs may be required to complete the application requirements of paragraph b of this section.**

# § 4280.317 Selection of applications for funding.

**All eligible applications received will be scored using the scoring criteria specified in §**[**4280.316**](#Application) **and funded in descending order from the highest total score to applications receiving 60 points, subject to the authorization of appropriations for the Federal fiscal year. If two or more applications have the same score and available funds cannot fund the individual projects, the Administrator may prioritize such applications to help the program achieve overall geographic diversity.**

1. **Timing and submission of applications**
	1. **All applications must be submitted as a complete application in one package of materials. Packages must be in the order of appearance in §**[**4280.315**](#MDO)**. Applications that are disorganized or otherwise not ready for evaluation will be returned to the applicant and not considered for funding.**
	2. **Applications will be accepted on a continuing basis at any Rural Development State Office and will compete nationally for available funds on a quarterly basis using Federal fiscal quarters.**
	3. **Applications received will be reviewed, scored, and ranked quarterly. Unless withdrawn by the applicant, the Agency will retain unsuccessful applications that score 60 points or more for consideration in subsequent reviews, through a total of four quarterly reviews. Applications unsuccessful after competing for funds in four quarters will be returned to the applicant.**
2. **Availability of funds. If an application is received, scored, and ranked, but insufficient funds remain to fully fund the project, the Agency may elect to fund an application requesting a smaller amount that has a lower score. Before this occurs, the Agency, as applicable, will provide the higher scoring applicant the opportunity to reduce the amount of its request to the amount of funds available. If the applicant agrees to lower its request, it must certify that the purposes of the project can be met, and the project is financially feasible at the lower amount.**
3. **Applicant notification. The Agency will notify applicants regarding their selection or non-selection, provide appeal rights of unsuccessful applicants, and provide closing procedures for the loan and/or grant awardees.**
4. **Closing. Awardees unable to complete closing for an approved obligation within 90 days or an extended date approved by the Agency will forfeit their funding award in accordance with** [**§ 4280.311(e)(9)**](#Loanclosing)**.** *Microlenders will be expected to have all microlending policies, procedures and internal decisions regarding the borrowing of funds settled before application for loan funding is made to the Agency. Because applications will be accepted throughout the year and competed on a quarterly basis, ninety days will allow for an expeditious closing. The Agency initial disbursement of funds should take place on the same day, or near the same day as the loan closing.*

# §§ 4280.318 – 4280.319 [Reserved]

# § 4280.320 Grant administration.

1. **Oversight. Any MDO receiving a grant under this program is subject to Agency oversight, with site visits and inspection of records occurring at the discretion of the Agency. In addition, MDOs receiving a grant under this subpart must submit reports, as specified in paragraphs (a)(1) through (3) of this section.**
	1. **On a quarterly basis, within 30 days after the end of each Federal fiscal quarter, the microlender will provide to the Agency an Agency-approved quarterly report containing such information as the Agency may require to ensure that funds provided are being used for the purposes for which the grant was made, including:**
		1. **Narrative reporting information as required by Office of Management and Budget (OMB) circulars and successor regulations. This narrative will include information on the MDO’s TA, training, and/or enhancement activity, and grant expenses, milestones met, or unmet, explanation of difficulties, observations and other such information;**
		2. **If requesting grant funds at the time of reporting, an executed SF-270 form and a brief description of the proposed activity-based expenditures are required.** *Grant funds, with exception of the first grant payment, are disbursed as a reimbursement of expenses. The MDO should provide sufficient information regarding the activities and expenses incurred to ensure that grant proceeds are used for eligible purposes.*
	2. **If a microlender has more than one grant from the Agency, a separate report must be made for each grant.**
	3. **Other reports may be required by the Agency from time to time in the event of poor performance or other such occurrences that require more than the usual set of reporting information.**
2. **Payments. The Agency will make grant payments not more often than quarterly. The first grant payment may be made in advance and will equal no more than one fourth of the grant award. Other payment requests must be submitted on Standard Form 270 and will only be paid if the MDO’s reports are up to date and approved.**

# § 4280.321 Grant and loan servicing.

**In addition to the ongoing oversight of the participating MDOs, all grants will be serviced in accordance with applicable regulations, including** [**7 CFR part 1951, subparts E**](https://www.ecfr.gov/current/title-7/subtitle-B/chapter-XVIII/subchapter-H/part-1951/subpart-E) **and** [**O**](https://www.ecfr.gov/current/title-7/subtitle-B/chapter-XVIII/subchapter-H/part-1951/subpart-O)**,** [**7 CFR part 3**](https://www.ecfr.gov/current/title-7/subtitle-A/part-3)**, and the Office of Management and Budget (OMB) regulations including, but not limited to,** [**2 CFR parts 200**](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200)**, 215, 220, 230, and** [**OMB Circulars A-110 and A-133**](https://www.whitehouse.gov/omb/information-for-agencies/circulars/)**. Loans to microlenders will be serviced in accordance with 7 CFR part 1951,** [**subparts E**](https://www.ecfr.gov/current/title-7/subtitle-B/chapter-XVIII/subchapter-H/part-1951/subpart-E)**,** [**O**](https://www.ecfr.gov/current/title-7/subtitle-B/chapter-XVIII/subchapter-H/part-1951/subpart-O)**, and** [**R**](https://www.ecfr.gov/current/title-7/subtitle-B/chapter-XVIII/subchapter-H/part-1951/subpart-R)**, and** [**OMB Circular A-129**](https://www.whitehouse.gov/omb/information-for-agencies/circulars/)**.**

# § 4280.322 Loans from the microlenders to microentrepreneurs.

**The primary purpose of making a program loan to a microlender is to enable that microlender to make microloans to rural microenterprises and microentrepreneurs. It is the responsibility of each microlender to make microloans in such a fashion that the terms and conditions of the microloan will support microborrower success while enabling the microlender to repay its loan from the Agency. It is the responsibility of each microborrower to repay the microlender in accordance with the terms and conditions agreed to with the microlender. The microlender is responsible for full repayment to the Agency of its loan regardless of the performance of its microloan portfolio.** *A microlender may use Agency funds and revolved funds to make loans to microentrepreneurs without obtaining prior Agency concurrence of the microloan to each microborrower.*

1. **Maximum microloan amount. The maximum amount of a microloan made under this program will be $50,000. The total outstanding balance of microloans to any microborrower may not exceed $50,000.**
2. **Microloan terms and conditions. The terms and conditions for microloans made by microlenders will be negotiated between the prospective microborrower and the microlender, with the following limitations:**
	1. **No microloan may have a term of more than 10 years;** *The 10-year maximum loan maturity from the loan date includes any loan servicing workout situations granted by the microlender.*
	2. **The interest rate charged to the microborrower will be established at or before the microloan closing and at such a rate that the microloan is affordable to the microborrower and provides a reasonable margin of earnings to the microlender.**
3. **Microloan insurance requirements. The microlender has full discretion to require reasonable hazard, key person, and other insurance coverage from the microborrower as part of the loan transaction.**
4. **Credit elsewhere test. Microborrowers will be subject to a “credit elsewhere” test so that the microlender will make loans only to those borrowers that cannot obtain business funding of $50,000 or less at affordable rates and on acceptable repayment terms. Each microborrower file must contain evidence that the microborrower has sought credit elsewhere or that the rates and terms available within the community at the time were outside the range of the microborrower’s affordability. Evidence may include a comparison of rates, loan limitations, terms, or other requirements from other funding sources*.* Denial letters from other lenders are not required.** *Requiring a denial letter is a detriment to the microenterprise or Microentrepreneur and is the opposite of what this program attempts to accomplish, which is to ease access to credit for the very smallest of businesses.*
5. **Fair credit requirements. To ensure fairness, microlenders must publicize their rates and terms on a regular basis. Microlenders are also subject to Fair Credit lending practices and Federal nondiscrimination requirements as stated in** [**§ 4280.305**](#Nondiscrimination)**.** *While rates are negotiable from one client to the next, they must be fair to all and must not violate credit, civil rights, or other laws regarding fair credit.*
6. **Eligible microloan purposes. Agency loan funds may be used to make microloans as defined in** [**§ 4280.302**](#Definition) **for any legal business purpose not identified in** [**§ 4280.323**](#Ineligible) **as an ineligible purpose. Microlenders may make microloans for qualified business activities and expenses including, but not limited to:**
	1. **Working capital;** *Microlenders may not provide a loan to a microborrower under this program that will result in a revolving line of credit.*
	2. **The purchase of furniture, fixtures, supplies, inventory or equipment;**
	3. **Debt refinancing;**
	4. **Business acquisitions; and**
	5. **The purchase or lease of real estate that is already improved and will be used for the location of the subject business only, provided no demolition or construction will be accomplished with program funds. Neither interior decorating, nor the affixing of chattel to walls, floors, or ceilings are considered to be demolition or construction.** *Applicants are not normally required to submit environmental documentation with their application for a project funded under this program. In general, due to the size of microloans and the ineligibility of construction and/or demolition projects in accordance with* [*Section 4280.323(a)*](#Constructioncost)*, this should eliminate the need for environmental clearances under this program. However, there may be extraordinary circumstances that require review even if the property is developed. For example, underground tanks or solid waste disposal situations.*
7. **Military personnel. Military personnel who are or seek to be a microentrepreneur and are on active duty with six months or less remaining in their active duty status may receive a microloan and/or TA and training if they are otherwise qualified to participate in the program.** *Military personnel that are readying for detachment from active duty may be seeking self-employment as an after service option. The six-month period provides them with the ability to obtain training and technical assistance in advance so that they are prepared to step into business ownership. Generally, they will want to borrow from an entity that is close to where the microbusiness will be located.*

# § 4280.323 Ineligible microloan purposes and uses.

**Agency loan funds will not be used for the payment of microlender administrative costs or expenses and microlenders may not make microloans under the program for any of the purposes and uses identified as ineligible in paragraphs (a) through (n) of this section.** *Microlenders receive grant funding for the provision of technical assistance and training to microborrowers and prospective microborrowers. Microlenders may use up to 10 percent of the grant funding for program administrative costs. Thus, loan funding may not be used for administrative costs.*

1. **Construction costs including property demolition, renovation, elimination of walls, or property additions.** *Interior decoration is not considered a construction cost. Microlenders must use caution when considering whether an upgrade to a microbusiness location would be so significant as to be a construction project. As a rule of thumb, repairs to chattel, interior decoration, and so forth will normally be acceptable. Addition of rooms or porches, elimination of walls, upgrading insulation, and so forth would not be acceptable.*
2. **The financing of timeshares, apartments, duplexes, or other residential housing.**
3. **Assistance that will cause a conflict of interest or the appearance of a conflict of interest including but not limited to:**
	1. **Financial assistance to principals, directors, officers, or employees of the microlender, or their close relatives, as defined; or**
	2. **Financial assistance to any entity which would appear to benefit the microlender or its principals, directors, or employees, or their close relatives, as defined, in any way other than the normal repayment of debt.**
4. **Distribution or payment to a microborrower when such will use any portion of the microloan for other than business purposes.**
5. **Microloans to a charitable institution not gaining sufficient revenue from business sales or services to support the operation and repay the microloan.** *If a charitable institution has a subsidiary or affiliate such as a day care center, coffee house, or other income earning business, a microloan could be made to the business, as if it were any other small business. Such subsidiaries or affiliates must be governed under a separate tax ID.*
6. **Microloans to a fraternal organization.**
7. **Any microloan to an applicant that has an RMAP-funded microloan application pending with another microlender or that has an RMAP-funded microloan outstanding with another microlender that would cause the applicant to owe a combined amount of more than $50,000 to one or more microlenders under the program.** *Microlenders should check for credit report references to other inquiries to ensure that the prospective microborrower has not applied for, or entered into a loan agreement for, other program funding from one or more other RMAP microlenders.*
8. **Assistance to USDA Rural Development employees, or their close relatives, as defined.**
9. **Microloans for any illegal activity.**
10. **Any project that is in violation of either a Federal, State, or local environmental protection law, regulation, or enforceable land use restriction unless the microloan will result in curing or removing the violation.**
11. **Loans supporting explicitly religious activities, such as worship, religious instruction or proselytization.**
12. **Golf courses, race tracks or gambling facilities.**
13. **Funding of any political or lobbying activities.**
14. **Lines of credit.**

# *§ 4280.324**Deobligation.*

1. *The deobligation document for RMAP funds is Form RD 1940-10, Cancellation of U.S. Treasury Check and/or Obligation. The recipient has 30 days, from the date the awardee is notified by the agency that funds will be deobligated, to appeal. If the recipient does not exercise their appeal or review rights within the timeframe, the Form RD 1940-10 must be signed and dated by the RD approving official no later than 60 days after the original appeal notification to recipient. The deobligation of funds must be processed in the appropriate system within 15 business days from signature of the Form RD 1940-10.*
2. *If the recipient notifies RD that the funds are no longer valid or the recipient did not win the appeal, Form RD 1940-10 must be prepared and signed by the RD Approving Official within 5 business days. Once the Form RD 1940-10 has been approved, RD has 15 business days to deobligate the funds in the appropriate system.*

# §§ 4280-325– 4280.399 [Reserved]

# § 4280.400 OMB control number.

**The information collection requirements contained in this subpart have been approved by the Office of Management and Budget (OMB) and have been assigned OMB control number 0570-0062. A person is not required to respond to this collection of information unless it displays a currently valid OMB control number.**