

Rural Economic Development Loan & Grant Program

What does this program do?

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

Under the REDGrant program, local utility organizations use USDA-awarded grants to establish revolving loan funds (RLFs), which help support projects that create or retain rural jobs. When the RLF is exhausted or ends, the grant is repaid to USDA.

Who may apply for this program?

To receive funding under the REDLG program, an entity must be described as:

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

What is an eligible area?

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

How much funding is available to intermediaries?

- Up to \$300,000 in grants can be requested for establishment of the RLF
- Up to 10 percent of grant funds can be applied toward operating expenses over the life of the RLF
- Up to \$1.5 million in loans can be requested

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

What are the terms for the intermediary?

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

How may funds be used?

REDLG intermediaries pass funding to ultimate recipients for use on eligible projects. Examples include:

- Business incubators
- Community development assistance to nonprofits and public bodies (particularly job creation or enhancement)
- Facilities and equipment for education and training for rural residents to facilitate economic development
- Facilities and equipment for medical care to rural residents
- Start-up venture costs, including such things as financing fixed assets like real estate, new or existing buildings, equipment, or working capital
- Business expansion
- Technical assistance

NOTE: [7 CFR, Part 4280.27](#) and [7 CFR, Part 4280.30](#) list ineligible uses

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

An ultimate recipient can request up to 80 percent of project costs using REDLG funds. The remainder must be provided by the ultimate recipient or intermediary.

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

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

How do we get started?

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

Who can answer questions?

- Contact your local Rural Development office. A list is available at this link: <https://www.rd.usda.gov/about-rd/state-offices>

What governs this program?

- Basic program - 7 CFR, Part 4280, available at this link: <https://go.usa.gov/xMXrX>

- Loan servicing - 7 CFR, Part 4280 as listed above, plus 2 CFR Part 200, available at this link: <https://go.usa.gov/xMXrV>
- This program is authorized by the Rural Electrification Act of 1936

Why does USDA Rural Development do this?

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

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