Rural Economic Development Loan and Grant Programs

What do these programs do?

Rural Economic Development Loan (REDL) and Grant (REDG) programs provide funding to rural projects through local utility organizations. Under the REDL 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 keep employment in rural areas. Ultimate recipients repay the lending utility directly, and the utility is then responsible for repaying USDA Rural Development.

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

Who can apply?

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

What is an eligible area?

Intermediaries can use REDLG funds to lend for projects in rural areas or towns with populations of 50,000 or fewer.

How much funding is available to intermediaries?

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

The intermediary applies to USDA for funding 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 a 20 percent match from the intermediary
- Grant funds must be repaid to USDA upon exhaustion or termination of the RLF

How can 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 (available at this link: https://tinyurl.com/5y4hryeu) and 7 CFR, Part 4280.30 (available at this link: https://tinyurl.com/4v25xefy) list ineligible uses.

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. The first time around, all loans are zero interest.
- Repayment can be deferred up to two years

How do we get started?
Applications are accepted year-round through your local USDA Rural Development office. They also can answer your REDLG questions. You’ll find a state-based list at this link: https://go.usa.gov/xShSz.

What governs these programs?
- Basic program information: 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/xMXrY
- These programs are 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 information is subject to change, always consult official program instructions or contact your local Rural Development office for help. A list is available at this link: https://go.usa.gov/xJHPE. You will find additional resources, forms, and program information at https://rd.usda.gov. USDA is an equal opportunity provider, employer, and lender.

Last Updated October 2022