Introduction to Rural Development Programs
FIDECOOP/Liga de Cooperativas
Networking Meeting - February 7, 2019
• PROGRAM OBJECTIVE:
  • FINANCE THE DEVELOPMENT AND IMPROVEMENT OF ESSENTIAL COMMUNITY FACILITIES THAT SERVE RURAL AREAS AND AREAS FOR PUBLIC USE
  • ANY FACILITY NEEDED FOR THE ORDERLY DEVELOPMENT OF A RURAL COMMUNITY

• WE HAVE DIRECT AND GUARANTEED LOAN PROGRAMS
EXAMPLES of ESSENTIAL COMMUNITY FACILITIES:

- Healthcare
- Cultural and Educational
- Fire, Rescue, and Public Safety
- Transportation
- Telemedicine and Distance Learning
- Energy Transmission and Distribution
Eligible Organizations:

• Public Bodies – Municipalities/Government Agencies
• Community Based Non-Profit Corporations
• FACILITY LOCATION
  • Municipalities with a Population of 20,000 or less based on the 2000 Census Designated Areas.

• FUNDS MAY BE USED FOR:
  • Virtually any expense relating to the development or improvement of an eligible facility.
  • Land purchase, construction costs, architectural fees, construction interest, equipment purchase, etc.
• Loan Rates & Terms

**CF Direct & Guaranteed Loans:**
• CF Direct rate- As per Bond Index Rate- Actual-3.875%.
• Guaranteed CF rate - Negotiated between lender and borrower. Can be fixed or variable.
• Guaranteed loans may be made for 100% financing.
• Maximum guarantee is 90%. Guarantee fee is 1% of loan guaranteed portion.
• CF Direct & Guaranteed-Term up to 40-years, depending on the applicant entity and type of facility financed
Feasibility & Loan Security

- All loans must be adequately secured and based on satisfactory sources of repayment.
- Non-Profits - Real Estate, Equipment, Revenues, etc.
- Public Bodies - Usually Bonds. Loan guarantees are not available on loans secured by tax exempt obligations.
- Significant Community Support
Providing financing alternatives for the housing recovery in P.R.
• FINANCING AGENCY THAT PROVIDES:

• Mortgage loans for acquisition of new construction / existing dwelling;

• Loans for repairs / rehab;

• Loan guaranteed to lenders/Credit Union financing SFH & MFH.
• RD- Housing Program:

• Must be in Rural Areas (Population of 35,000 or less)

• Very-Low & Low Income Family or Individuals

• https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do
• Single Family Housing:
  • Direct Loans (subsidized)
  • SFH Guaranteed (Local lenders & Credit Unions) Moderate Income
  • Repairs & Rehabilitation (1% interest rate)
  • (Only for Very Low Income applicants)
  • SFH Self Help (public bodies or non-profit org)
• Multifamily Housing Programs:

• Loans to construct or to acquire and repair (subject to funds allocation by congress);
• Rental Assistance available for new construction or new acquisition (Section 515);
• USDA, RD can provide Note Guarantee to PR Housing Finance or any approved lender (no RA for this type of loan).
• **Type of Multifamily Housing Projects:**
  
  • For individuals / families;
  • Elderly
  • Farm workers
Available Reference Tools:

For rural areas maps, income tables and pre-qual:
https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do

For list of USDA, RD REO properties for sale:
https://properties.sc.egov.usda.gov/resales/index.jsp

For Agency programs eligibility requirements:
https://www.rd.usda.gov/
• Principal Programs:
  
  • B&I Guaranteed Loan Program,
  • Rural Energy for America Program (REAP)
  • Value Added Producers Grant (VAPG)
  • Rural Cooperative Development Grant (RCDG)
Eligible project locations include all municipalities except for:

- San Juan
- Bayamón
- Guaynabo
- Cataño
- Carolina
- Trujillo Alto
- Caguas
- Mayaguez
- Ponce
• B&I Guaranteed Loan Program:
  • Eligible Borrower
    • Any legal entity:
    • Individuals, Non and For Profit Organization and Corporations,
    • US citizens, Corporations with non-citizen business owners as long as funds stay in the US.
    • No restriction on business size
    • Compliance to Environmental Procedures
B&I Guaranteed Loan Program:

- Eligible Loan Purpose
  - Start-up costs and working capital, Acquisitions
  - Construction, Expansion
  - Repair, Modernization
  - Purchase of equipment, machinery and/or supplies
  - Processing and marketing
  - Refinancing under certain conditions
  - Energy - Purchase and installation of renewable energy systems or improvements in energy efficiency
**B&I Guaranteed Loan Program:**

- **Percent of Guarantee**
  - Maximum is:
  - 80% for loans up to $5 million
  - 70% for loans between $5 and $10 million
  - 60% for loans over $10 million up to $25 million

- **Loan Approval Authority**
  - Puerto Rico Rural Development  $7.5 million
  - National Office Above $7.5 million
  - No Minimum Loan Amount
**B&I Guaranteed Loan Program**:
- Adequate Collateral & Loan to Value Ratio
  - **Collateral:**
    - All collateral must secure the entire loan
    - Repayment of the loan must be reasonably assured
    - Personal and corporate guarantees are required
    - Appraisal reports prepared by qualified individuals are required on property that will serve as collateral
  - **Loan-To-Value:**
    - The maximum loan-to-appraised market value ratios are typically:
      - 80% Real estate
      - 70% Machinery/Equipment
      - 60% Accounts receivable and Inventory
• **B&I Guaranteed Loan Program**:  
  • Guarantee Fee

  • The initial guarantee fee will be 3% - One time guarantee fee of the guaranteed principal amount paid by lender

  • Annual renewal fee is .50% of guaranteed principal balance.
• Rural Energy for America Program (REAP)
  • Eligible Applicants:
    • AGRICULTURAL PRODUCERS (51 percent or more of gross income from agricultural production). ALL Puerto Rico!!
    • SMALL RURAL BUSINESSES (For profit small business as defined by SBA) All Puerto Rico except 9 Municipalities mentioned before.
Rural Development - Business and Cooperatives Programs

- Rural Energy for America Program (REAP)

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Rural Development - Business and Cooperatives Programs

- **Rural Energy for America Program (REAP)**
  - REAP Grant Assistance
  - Up to 25% of Eligible Project Costs

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<tr>
<th>Renewable Energy Systems</th>
<th>Energy Efficiency Improvements</th>
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<td><strong>Minimum Grant Request</strong></td>
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<td>$2,500</td>
<td>$1,500</td>
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<td>Total eligible project costs ≥ $10,000</td>
<td>Total eligible project costs ≥ $6,000</td>
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<td><strong>Maximum Grant Request</strong></td>
<td><strong>Maximum Grant Request</strong></td>
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<tr>
<td>$500,000</td>
<td>$250,000</td>
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<tr>
<td>Total eligible project costs ≥ $2 million</td>
<td>Total eligible project costs ≥ $1 million</td>
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• Value Added Producers Grant (VAPG)

• Who may participate in the producer value added program?

➢ Farmers.
➢ Cooperatives owned by farmers.
➢ Agricultural producer Groups or Associations
Value Added Producers Grant (VAPG)

- Funding request is either for Planning or Working capital.
- Maximum request is $75K for planning and $250K for WC

Eligible Producer Value added activities:
- The changing of physical state or form of the product.
- A product produced in a manner that enhances its value.

Has a matching requirement of 1:1
Rural Cooperative Development Grant (RCDG)

- Objective: Establish or operate centers for cooperative development.
- Applicant: Non-profits and institutions of higher education.
- Max Grant: $200,000
• **Rural Cooperative Development Grant (RCDG)**

• Uses: Establish centers to provide technical assistance, training, applied research, and collection and interpretation of data, for the purpose of cooperative development.

• Terms: Minimum 25% fund match

Grants awarded competitively.
• **Contact Information:**
  
  • State Director – Mr. Josué E. Rivera
    
    • Community Facilities and Infrastructure Division:
      *Clery Morales* – clery.morales@usda.gov
    
    • Rural Housing Service Division:
      *Mrs. Arlene Zambrana* – arlene.Zambrana@usda.gov
    
    • Rural Business and Cooperatives Service:
      *Mrs. Danna Quiles* - danna.quiles@usda.gov
  
  State Office Tel – 787-766-5095
• Additional contacts information:

• Mr. Miguel Ramírez – Public Information Officer miguel.ramirez@usda.gov
• Mrs. Michelle Torres – RBS Specialist michelle.torres@usda.gov
• Mr. James Rivas – CF Specialist james.rivas@usda.gov
THANK YOU!
Rural Development - Puerto Rico