



Committed to the future of rural communities.

Renewable Energy Systems & Energy Efficiency Improvements Loan Guarantee Program

Purpose

This program is to encourage commercial financing for rural small businesses and agricultural producers to purchase and install renewable energy systems or energy efficiency improvements. This federal assistance is intended to provide “gap” financing for energy related projects. The guarantee loan will not exceed 50% of the total eligible project costs.

Residential construction or improvements are not eligible for this assistance.

Eligible Applicants

An applicant must be a rural small business or an agricultural producer.

- The size requirement for a small business is defined by SBA at the following web-site: www.sba.gov/size/summary-what-is.html.
- An agricultural producer is defined as an individual or legal entity which receives 50% or more of their gross income from agricultural.

Eligible Areas

The project must be in a rural area or in an incorporated community under 50,000 population and not adjacent to an urban area. Applicant location eligibility can be found at:

<http://maps.ers.usda.gov/loanlookup/veiwer.htm>

Project Eligibility

The guaranteed loan funds must be used to purchase a renewable energy system or to make energy efficiency improvements to an existing facility.

An Eligible project must:

- be for pre-commercial or commercially available technology;
- have technical merit;

- be in a rural area;
- be owned and controlled by the applicant;
- have sources of revenue that are sufficient to provide for operation, management, maintenance, and debt service of the project.

Eligible Project Costs

The following items are considered to be eligible project costs as long as these costs are an integral part of the renewable energy system or energy efficiency improvement:

- 1) Post-application purchase and installation of equipment.
- 2) Post-application construction or improvements.
- 3) Energy audits or assessments.
- 4) Permit and license fees.
- 5) Professional service fees, except for application preparation.
- 6) Feasibility studies and technical reports.
- 7) Business plans.
- 8) Retrofitting.
- 9) Working Capital
- 10) Land acquisition.
- 11) Construction of a new energy efficient facility only when the facility is used for the same purpose, is approximately the same size and based upon the energy audit will provide more energy savings than improving an existing facility. Only costs identified in the energy audit for energy efficiency improvement are allowed.

Ineligible Loan Purposes

Debt refinancing; lines of credit; agricultural tillage equipment; used equipment; vehicles; and application preparation fees.

Guaranteed Loan Limits

The USDA Guaranteed loan cannot exceed 50% of the total eligible project costs. Minimum guaranteed loan is \$5,000. The Maximum guaranteed loan amount is \$10,000,000.

The maximum percentage of guarantee for loans up to \$600,000 is 85%. For loans greater than \$600,000 up to and including \$5,000,000 the maximum loan guarantee to be issued is 80%. For loans greater than \$5,000,000 up to and including \$10,000,000 a 70% guarantee will be issued.

Project Equity

- For loans less than \$600,000, the borrower must demonstrate a cash equity injection of not less than 15% of the total eligible project costs.
- For loans greater than \$600,000 the borrower must demonstrate a cash equity injection of not less than 25% of eligible project costs.
- The fair market value of equity in real property that is pledged as collateral for the loan may be substituted to meet the cash equity requirement.

Project Loan Rates and Terms

The interest rate cannot exceed the lender's customary commercial interest rate as negotiated between the lender and the applicant.

The maximum loan terms available are as follows:

Working Capital: 7 years

Equipment: 20 years (Not to exceed useful life)

Real estate: 30 years (Not to exceed useful life)

Collateral

Collateral must have a documented value sufficient to protect the interest of the lender and the USDA. Personal or Corporate guarantees will be required by those whose ownership is greater than 20%. Passive investors will not be required to provide a guarantee.

Eligible Lender

Lender must be a local regulated lender such as any federal or state chartered bank, savings and loan association, building and loan association.

Fees

A nonrefundable guarantee fee will be paid by the lender to the USDA at the time the Loan Note guarantee is issued. The guarantee fee to be charged will be equal to 1% of the guaranteed portion of the loan. This fee may be passed on to the borrower.

An annual renewal fee will be charged to the lender and will be required to maintain the guarantee. Currently this annual renewal fee is 0.250% and will be calculated based upon the borrower's principal balance as of December 31st of each year multiplied by the percentage of guarantee. This fee cannot be passed on to the customer.

Additional Information

Loan guarantee applications are currently being accepted for the Fiscal Year 2006 allocation of funding. Please contact the following individuals to further discuss your proposed project:

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