

RURAL ENERGY FOR AMERICA PROGRAM (REAP)



Section 9007 – The Rural Energy for America Program, through USDA-Rural Development, offers **grants, guaranteed loans, and combination grant/guaranteed loans** to help **agricultural producers** and **rural small businesses** purchase and install renewable energy systems and make energy efficiency improvements in rural areas. *The Fact Sheet applies to the 2009 Funding Cycle only. New regulations for funding cycles 2010 – 2012 are currently under development.*

WHO IS ELIGIBLE:

- An agricultural producer (individual or entity) directly engaged in the production of agricultural products and obtains at least 50% or greater of their gross income from their agriculture business.
- A rural small business – an entity is considered a small business in accordance with SBA's (Small Business Administration) small business size standards (by NAICS codes). SBA small size standards can be found at <http://www.sba.gov/size/index.html>
 - A private entity including a sole proprietorship, partnership, corporation, and a cooperative (including a cooperative qualified under section 501(c) (12) of the Internal Revenue Code).
 - An electric utility, including a Tribal or governmental electric utility that provides service to rural consumers on a cost-of-service basis without support from public funds or subsidy from the Government authority establishing the district, provided such utilities meet SBA's definition of small business. These entities must operate independent of direct Government control.
- With the exception of entities described above, all other non-profit organizations / public entities are **excluded**.
- For projects with total eligible costs **exceeding \$200,000**, agricultural producers and rural small businesses with a demonstrated financial need (*until 09/2009; starting 10/2009, financial need becomes scoring criteria only*).
- For projects with total eligible costs of **\$200,000 or less**, applicants must provide a statement certifying their financial need (*until 09/2009; starting 10/2009, financial need becomes scoring criteria only*).

HOW MUCH ASSISTANCE CAN BE PROVIDED:

	Renewable Energy Projects	Energy Efficiency Improvements Projects
Description	A system that produces or produces and delivers usable energy from a renewable energy source.	Improvements to a facility, building, or process that reduces energy consumption.
Minimum grant (<i>no more than 25% of total eligible project costs</i>)	\$ 2,500.00	\$ 1,500.00
Maximum grant (<i>no more than 25% of total eligible project costs</i>)	\$ 500,000.00	\$ 250,000.00
<i>Maximum grant per applicant per fiscal year</i>		\$750,000.00
Minimum guaranteed loan (<i>no more than 75% of total eligible project costs</i>)	\$ 5,000.00	\$ 5,000.00
Maximum guaranteed loan (<i>no more than 75% of total eligible project costs</i>)	\$ 25,000,000.00	\$ 25,000,000.00
Minimum grant portion of the combined funding request	\$ 1,500.00	\$ 1,500.00
<i>Maximum combination grant/guaranteed loan (no more than 75% of total eligible project costs)</i>		\$25,000,000.00
Services of a Professional Engineer required?	▪ Projects with total eligible costs > \$400,000.00	▪ Projects with total eligible costs > \$200,000.00
Energy audit or energy assessment required?	NO	▪ Required for all energy efficiency projects. ▪ Projects with total eligible costs > \$50,000.00 require an energy audit.
Business Level Feasibility study required?	▪ Projects with total eligible costs > \$200,000.00	NO
Technical Report Required?	YES	YES

THESE ARE THE TYPES OF PROJECTS RURAL DEVELOPMENT CAN CONSIDER:

	Renewable Energy Projects	Energy Efficiency Improvements Projects
Categories of Projects <i>(The project must be located in a rural area.)</i>	<ul style="list-style-type: none"> ▪ Biomass, ▪ Anaerobic Digester, ▪ Geothermal – Electric Generation, ▪ Geothermal – Direct Use, ▪ Hydrogen, ▪ Small and Large Wind and/or Solar 	Energy Efficiency Improvements verified by an energy audit or assessment.

WHAT TYPE OF APPLICATION SHOULD BE SUBMITTED TO THE RURAL DEVELOPMENT STATE OFFICE:

Application Process - Grant	Total Eligible Project Costs
Simplified grant application criteria and procedures (4280.109)	\$200,000.00 or less
Full grant application criteria and procedures (4280.111)	> \$200,000.00

Applicant:

Agricultural producer or rural small business

Eligible Costs:

1. Post application purchase and installation of equipment (new, refurbished, or remanufactured), except agricultural tillage equipment, used equipment and vehicles.
2. Post application construction or project improvements, except residential
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. Construction of a new energy efficient facility only when the facility is used for the same purpose; is approximately the same size; and based on the energy audit, will provide more energy savings than improving an existing facility.

Guaranteed Loans (4280.128)	Amount of Guaranteed Loan	
Reduced application and documentation	≤ \$600,000	
Full application and documentation	> \$600,000	
Guaranteed Loan (Equity evidence by borrowers)	≤ \$600,000 – not less than 15% of eligible project costs > \$600,000 – not less than 25% of eligible project costs	
Maximum percentage of Guarantee	≤ \$600,000	85%
	>\$600,000 & ≤ \$5 million	80%
	>\$5 million & ≤ \$10 million	70%
	>\$10 million & ≤ \$25 million	60%
Guaranteed Loan - Appraisal	≤ \$600,000 complete self-contained appraisal > \$600,000 complete summary appraisal	
Guarantee Cost / Fees	Guarantee Fee: 1% of the guaranteed portion of the loan payable to USDA Rural Development when the guarantee is issued. Annual renewal fee: 0.25% based on the outstanding balance of the guaranteed portion of the loan as of December 31 st .	

Applicant (Loan Guarantee):

A lender is the applicant seeking a guarantee on a loan to an agricultural producer or a rural small business.

Eligible Costs (Loan Guarantee):

The same eligible costs as listed for a grant, with the addition of:

10. Working capital
11. Land Acquisition