



Rural Business-Cooperative Service

Rural Economic Development Loan (REDL) & Grant (REDG) Program

Purpose of the Program

The Rural Economic Development Loan (REDL) and Grant (REDG) programs provide funding to rural projects through local utility organizations. The REDLG programs provide financing to eligible RUS electric or telecommunication borrowers to promote rural economic development and job creation projects.

Under the RED Loan program, USDA provides zero interest loans to local telephone companies, which they in turn pass through to local businesses (ultimate recipients) for projects that will create and retain employment in rural areas. The ultimate recipients repay the lending utility directly. The utility is responsible for repayment to the Agency.

Under RED Grant program, USDA provides grant funds to local electric and telephone organizations which use the funding to establish a revolving loan fund (RLF). Loans are made from the revolving loan funds to projects that will create or retain rural jobs. When the revolving loan fund is terminated, the grant is repaid to the Agency.

Applicant Eligibility

- Any former Rural Utilities Service (RUS) borrower who borrowed, repaid or pre-paid an insured, direct, or guaranteed loan.
- Non-profit or municipal utilities that are eligible to receive assistance from the Rural Development Electric or Telecommunications Programs.
- Current Rural Development Electric or Telecommunication Programs borrowers.

Eligible Areas

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 less.

Funding Available (Subject to Change Each Fiscal Year)

- Up to \$1 million in loan funds may be requested.
- Up to \$300,000 in grant funds may be requested.
- Up to 10% of the grant funds may be applied toward operating expenses over the life of the RLF.

The intermediary applies to USDA for funding support on behalf of specified local projects. Projects may commence after application submission with no guarantee of approval, as applications compete based on score on a quarterly basis.

What are the terms for the Intermediary?

- Loan term is 10 years at 0%.
- Grants require a 20% supplemental financing from the intermediary, which is also loaned to the ultimate recipient and stays a permanent part of the RLF for additional projects.
- Grant funds must be repaid to USDA upon termination of the RLF.

What are the terms for the Initial Ultimate Recipient?

- All initial Ultimate Recipient loans are 10 years at 0% (regardless of being received under the loan or grant program)
- If under Loan program, 20% supplemental financing required from either the Ultimate Recipient or Intermediary
- Repayment may be deferred up to two years
- Under the grant program, with the establishment of the RLF, all secondary loans made with revolved funds will carry an interest rate and/or an administrative loan fee, all set by the Intermediary.

Eligible Loan and Grant Purposes

GRANTS:

- Business Incubators
- Community development or Community Facility assistance to non-profits 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.

LOANS:

- Start-up ventures costs, including, but not limited to financing fixed assets such as real estate, buildings (new or existing), equipment, or working capital.
- Business expansion
- Business Incubators
- Technical Assistance
- Advanced Telecommunications services and computer networks for medical, educational, and job training services

How do we get started?

Applications are due to our local offices on a quarterly basis. Program resources are available by request from your local Rural Development Business Specialist. For more information contact your local Rural Development office.

For more information contact Rural Development at:

State Office – Lincoln

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