

A Message from the Kansas State Director...

Rural communities play a vital role in the Kansas economy and are a significant source of opportunities for future business development.

We at USDA Rural Development provide a wide variety of programs that can assist communities in building infrastructure, providing community services, and facilitating job creation and expansion. Our Community & Business loan and grant programs offer financial assistance in promoting economic development.

The Rural Development staff is committed to the delivery of these programs, while partnering with other states, local and private entities to maximize the economic benefits to rural Kansas.

I am pleased to present to you this USDA Rural Development Community & Business Programs Desk Guide. Feel free to contact us if we can provide further assistance.

Sincerely,

CHUCK BANKS
State Director



Mission Statement

*To enhance the ability of rural communities to develop,
To grow and to improve their quality of life
By targeting financial and technical resources
In areas of greatest need through activities of greatest potential.*

**COMMUNITY AND BUSINESS PROGRAMS
DESK GUIDE**

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***COMMUNITY AND BUSINESS
PROGRAMS***

PROGRAM

REGULATION

Rural Business - Cooperative Service - RBS

Business and Industry - Guaranteed Loans	RD 4279-A & B
Business and Industry - Insured (Direct)(not funded in 2002)	RD 1942-A & 1980-E
Intermediary Relending Program	RD 4274-D
Rural Business Enterprise Grants	RD 1942-G
Rural Business Opportunity Grants	RD 4284-G
Rural Economic Development Loans and Grants	7 CFR 1703-B
Rural Cooperative Development Grants	RD 4284-F

Rural Housing Service - RHS

Community Facilities - Direct Loans	RD 1942-A
Community Facilities - Guaranteed Loans	RD 3575-A
Community Facilities - Grants	RD 3570-B
Fire and Rescue Loans	RD 1942-C

Rural Utilities Service - RUS

Distance Learning and Telemedicine Grants	RUS 1703-D
Emergency Community Water Assistance Grants	RUS 1778
Environmental Regulations	RUS 1794
Resource Conservation Development/ Loans and Watersheds/Watershed Advancements	RUS 1781
Solid Waste Management Grants	RUS 1775
Technical Assistance and Training Grants	RUS 1775
Water and Waste Disposal Loans and Grants	RUS 1780
Water and Waste Disposal Guaranteed Loans	RUS 1779

Creating New Opportunity for Rural America

Rural America abounds with promise. USDA Rural Development is helping fulfill the promise and overcome the problems of the nation's rural heartland. Rural Development was created in 1994 when rural economic and community development programs that had been splintered among various USDA agencies were forged into a new mission area. With this action, the Farmers Home Administration, Rural Development Administration, Rural Electrification Administration and Agricultural Cooperative Service passed into history, but their tradition of service to America is being carried on by USDA Rural Development.

How USDA Helps Rural Americans

In thousands of communities across the nation, rural people are struggling to pump new life into economies locked into a downward spiral of job losses, out-migration and diminishing services. To reverse this trend, USDA Rural Development is forging new partnerships with rural communities, funding projects that bring housing, community facilities, utilities and other services to rural areas. USDA also provides technical assistance and financial backing for rural businesses and cooperatives to create quality jobs in rural areas.

The stakes in this battle are high. More than 53 million people live in rural America, nearly 16 percent of whom earn wages below the Federal poverty level. There are 2.5 million substandard housing units in rural areas, compared to 2.4

million in cities and 1.2 million in suburbs. More than 418,000 rural households still lack running water.

Each year, USDA Rural Development programs create or preserve tens of thousands of rural jobs and create or improve more than 65,000 units of quality rural housing. To multiply the impact of its programs, USDA Rural Development is working with State, local and Indian tribal governments, as well as private and nonprofit organizations and user-owned cooperatives.

Rural Development programs are administered through three services: the Rural Utilities Service (RUS), the Rural Business-Cooperative Service (RBS) and the Rural Housing Service (RHS). Programs and services are provided through USDA Rural Development's network of State and local offices. Following are overviews of each of the three Rural Development services and their primary program areas.

Rural Housing Service (RHS) Decent, affordable housing is indispensable to vibrant rural communities. RHS programs help finance new or improved housing for over 65,000 moderate-, low- and very-low income families each year. No rural community can thrive without adequate community facilities, so RHS programs also help rural communities finance, construct, enlarge or improve fire stations, libraries, hospitals and medical clinics, industrial parks, and other community facilities.

RHS is playing a key role in the Clinton Administration's National Partnership for Homeownership initiative, the goal of which is to help 8 million new families own homes by the year 2000. A major focus of this effort is to help more rural women become homeowners.

Major RHS loan programs include: Home Ownership Loans, which help low-income households purchase, construct, repair, or relocate homes; Home Improvement and Repair Loans and Grants, which enable very-low-income rural homeowners to remove health and safety hazards from their homes and to make homes accessible for people with disabilities; Self-Help Housing Loans, which enable groups of six to ten low-income families to build their own homes by providing materials and the skilled labor they cannot furnish themselves; Rural Rental Housing Loans, which finance construction of rental housing for low- and moderate-income individuals and families and cooperative housing for elderly or disabled persons; Rental Assistance, which enables low-income tenants to pay no more than 30 percent of their income for rent; and Community Facilities Direct Loans, Loan Guarantees and Grants, which help construct, enlarge, extend, or otherwise improve community facilities providing essential services in rural areas and towns.

Rural Utilities Service (RUS) The Rural Utilities Service helps to improve the quality of life in rural America through a variety of loan and grant programs for electric energy, telecommunications and water and waste disposal projects. RUS programs leverage scarce Federal funds with private capital for investing in rural infrastructure, technology and development of human resources.

RUS electric and telecommunications programs provide financial aid through direct and guaranteed loans and through grants for distance learning and telemedicine programs.

The distance learning and telemedicine program of RUS is helping to develop the Information Superhighway in rural America. Since 1993, RUS has provided 142 grants

totaling \$41.5 million to rural schools, hospitals and medical clinics in 39 States and one U.S. territory. These grants jump-start the development and deployment of advanced telecommunications services throughout rural America, bringing the latest information and care to rural education and health service providers.

RUS loans and grants help develop water and waste disposal systems (including solid waste disposal and storm drainage) in rural areas and towns with a population of 10,000 or less. Grants also provide technical assistance and training, solid waste management and emergency water assistance. The RUS on-site technical assistance program helps to ensure the cost-effective operation of rural water systems. The Water and Waste Disposal program is placing strong emphasis on Water 2000, a Clinton Administration initiative to provide safe drinking water in more than 400,000 households (still lacking indoor water) by the beginning of the next century.

By providing infrastructure for rural areas, RUS is helping residents gain access to new and advanced services and job opportunities. By stimulating local economies, RUS is helping give rural residents an opportunity to compete regionally, nationally and globally.

Rural Business-Cooperative Service (RBS) Promoting a dynamic business environment in rural America is the goal of the Rural Business-Cooperative Service. RBS works in partnership with the private sector and community based organizations to provide financial assistance and business planning. It also provides technical assistance to rural businesses and cooperatives, conducts research into rural economic issues, and provides cooperative educational materials to the public.

RBS Business Programs help fund projects that create or preserve quality jobs and/or promote a

clean rural environment. The financial resources of RBS are often leveraged with those of other public and private credit source lenders to meet business and credit needs in under-served areas. Recipients of these programs may include individuals, corporations, partnerships, cooperatives, public bodies, nonprofit corporations, Indian tribes and private companies. RBS Business Programs include Business and Industry (B&I) Guarantee Loans, Intermediary Relending Program Loans, Rural Business Enterprise Grants, Rural Economic Development Loans and Grants, and Rural Cooperative Development Grants.

The RBS Cooperative Services program helps rural residents form new cooperative businesses and improve the operations of existing cooperatives (user-owned businesses). To accomplish this, Cooperative Services provides technical assistance to cooperatives, conducts cooperative-related research, and produces educational materials that promote public understanding of cooperatives.

Other Rural Development program areas include:

Office of Community Development—The Office of Community Development administers the Empowerment Zones and Enterprise Communities (EZ/EC) program, a Presidential initiative of the Clinton Administration designed to provide economically depressed rural areas and communities with real opportunities for growth and revitalization. Its mission: to create self-sustaining, long-term economic development in areas of pervasive poverty, unemployment, and general distress, and to demonstrate how distressed communities can achieve self-sufficiency through innovative

and comprehensive strategic plans developed and implemented by alliances among private, public, and nonprofit entities.

AARC Corporation—The Alternative Agricultural Research and Commercialization (AARC) Corporation encourages new research and assists with the commercialization of new, non-food uses of agricultural commodities. AARC's goal is to create jobs, enhance economic development of rural communities and diversify markets for raw agricultural and forestry products and animal by-products.

1890,1862 and 1994 Land-Grant

Institutions—This initiative is a cooperative effort between USDA and historically black land-grant universities to develop income-producing projects for underdeveloped rural communities.

For more information, contact your nearest USDA Rural Development State or local office:

1303 SW First American Place, Suite 100,
Topeka, KS 66604-4040, (785) 271-2730
FAX (785) 271-2771

Website: <http://www.rurdev.usda.gov/ks>

Or you may contact the National Office of USDA Rural Development at (202) 720-4323. FAX: (202) 690-0311. Write: USDA Rural Development, Stop 0705, 1400 Independence Ave. SW, Washington D.C. 20250-0705.

Website: <http://www.rurdev.usda.gov>

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*Rural
Business-
Cooperative
Service*

Business Programs

The mission of the Rural Business-Cooperative Service (RBS) of USDA Rural Development is to enhance the quality of life for all rural Americans by providing leadership in building competitive businesses and cooperatives that can prosper in the global marketplace. To meet business credit needs in under-served areas, RBS Business Programs are usually leveraged with the resources of commercial, cooperative, or other private-sector lenders. Business Programs of RBS are listed below:

Commercial Lending

Business and Industry Guarantee Loans

The Business and Industry (B&I) Guarantee Loan Program helps create jobs and stimulates rural economies by providing financial backing for rural businesses. This program guarantees up to 80 percent of a loan made by a commercial lender. Loan proceeds may be used for working capital, machinery and equipment, buildings and real estate, and certain types of debt refinancing. The primary purpose is to create and maintain employment and improve the economic climate in rural communities.

This is achieved by expanding the lending capability of private lenders in rural areas,

helping them make and service quality loans that provide lasting community benefits. This program represents a true private-public partnership.

B&I loan guarantees can be extended to loans made by commercial or other authorized lenders in rural areas (this includes all areas other than cities of more than 50,000 people and their immediately adjacent urban or urbanizing areas). Generally, authorized lenders include Federal or State chartered banks, credit unions, insurance companies, savings and loan associations, Farm Credit Banks or other Farm Credit System institutions with direct lending authority, a mortgage company that is part of a bank holding company, and the National Rural Utilities Finance Corporation. Other loan sources include eligible Rural Utilities Service electric and telecommunications borrowers and other lenders approved by RBS who have met the designated criteria.

Assistance under the B&I Guaranteed Loan Program is available to virtually any legally organized entity, including a cooperative, corporation, partnership, trust or other profit or nonprofit entity, Indian tribe or federally recognized tribal group, municipality, county, or other political subdivision of a State. Applicants need not have been denied credit elsewhere to apply for this program.

The maximum aggregate B&I Guaranteed Loan(s) amount that can be offered to any one borrower under this program is \$25 million.

Business and Industry Direct Loans

The Business and Industry (B&I) Direct Loan Program provides loans to public entities and private parties who cannot obtain credit from other sources. Loans to private parties can be made for improving, developing, or financing business and industry, creating jobs, and improving the economic and environmental climate in rural communities (including pollution abatement). This type of assistance is available in rural areas (this includes all areas other than cities of more than 50,000 people and their immediately adjacent urban or urbanizing areas).

Eligible applicants include any legally organized entity, including cooperatives, corporations, partnerships, trusts or other profit or nonprofit entities, Indian tribes or federally recognized tribal groups, municipalities, counties, any other political subdivision of a State, or individuals. Loans are available to those who cannot obtain credit elsewhere and for public bodies.

The maximum aggregate B&I Direct Loan amount to any one borrower is \$10 million.

Revolving Loan Funds And Technical Assistance

Intermediary Relending Program Loans
Intermediary Relending Program loans finance business facilities and community development projects in rural areas, including cities with a population of less than 25,000. RBS lends these funds to intermediaries, which, in turn, provide loans to recipients who are developing business facilities or community development projects. Eligible intermediaries include public bodies, nonprofit corporations, Indian tribes, and cooperatives.

Rural Venture Capital Demonstration Program

The Rural Venture Capital Demonstration Program designates up to 10 community development venture capital organizations to demonstrate the usefulness of guarantees to attract increased investment in private business enterprises in rural areas. Such organizations shall establish a rural business private investment pool to make equity investments in rural private business enterprises. This program is available in rural areas (this includes all areas other than cities of more than 50,000 people and their immediately adjacent urban or urbanizing areas).

Rural Business Enterprise Grants

Rural Business Enterprise Grants help public bodies, nonprofit corporations, and Federally recognized Indian tribal groups finance and facilitate development of small and emerging private business enterprises located in rural areas (this includes all areas other than cities of more than 50,000 people and their immediately adjacent urban or urbanizing areas). Grant funds can pay for the acquisition and development of land and the construction of buildings, plants, equipment, access streets and roads, parking areas, utility and service extensions, refinancing, and fees for professional services. Grant funds can also pay for technical assistance and related training, startup costs and working capital, financial assistance to a third party, production of television programs targeted for rural residents, and for rural distance learning networks.

Rural Business Opportunity Grants

Rural Business Opportunity Grant funds provide for technical assistance, training, and planning activities that improve economic conditions in rural areas. Applicants must be located in rural areas (this includes all areas other than cities of more than 50,000 people and their immediately adjacent urban or urbanizing areas). Nonprofit corporations and public bodies are eligible. A maximum of \$50,000 per grant is authorized by the legislation. RBS is designing the program to promote sustainable economic development in rural communities with exceptional needs.

Rural Economic Development Loans and Grants

This program finances economic development and job creation projects in rural areas based on sound economic plans. Rural Economic Development Loans and Grants are available to any Rural Utilities Service electric or telecommunications borrower to assist in developing rural areas from an economic standpoint, to create new job opportunities, and to help retain existing employment. Loans at zero-interest are made primarily to finance business startup ventures and business expansion projects. Grants are made to these telephone and electric utilities to establish revolving loan programs operated at the local level by the utility. The revolving loan program

facilitates rural development by providing needed capital (a) to nonprofit entities and municipal organizations to finance community facilities which promote job creation in rural areas, (b) for facilities which extend or improve medical care to rural residents, and (c) for facilities which promote education and training to enhance marketable job skills for rural residents. Projects should substantially benefit areas having a population of less than 2,500 residents.

Applications:

Detailed information and applications for financial assistance are available through State and local offices of USDA Rural Development. Some of the authorized programs described above require the implementation of regulations before they are available for funding projects. Consult your USDA Rural Development State Office for information on fund availability:

USDA Rural Development
1303 SW First American Place
Suite 100
Topeka, Kansas 66604-4040
(785) 271-2730
FAX (785) 271-2771
Website: <http://www.rurdev.usda.gov/ks>

BUSINESS AND INDUSTRY GUARANTEED LOAN PROGRAM

A Guarantee to Help Businesses Save or Create Jobs

The Business and Industrial Loan Guarantee Program guarantees loans by eligible local lenders to businesses to benefit rural areas. The program's primary purpose is to create and maintain employment and improve the economic and environmental climate in rural communities. This is achieved by expanding the existing private credit structure capability to make and service quality loans to provide lasting community benefits. Administered by the Rural Business-Cooperative Service of USDA's Rural Development, the program typically guarantees losses on up to 80 percent of the original loan amount. Inability to obtain other credit is not a requirement.

Benefits to Businesses

- Higher loan amounts, strengthens the loan application, less equity injection, lower interest rates, and longer repayment terms assist businesses that may not qualify for conventional lender financing.
- Assists a business in providing stability, growth, expansion, and rural employment.

Benefits to Lenders

- Provides lenders with another tool to expand their loan portfolio.
- Improves the economy and quality of life in rural communities.
- Reduces concerns regarding collateral/appraisal issues often found in smaller communities.
- Allows lenders to make loans above their legal lending limits.

Eligible Areas

Business and industrial loans can be guaranteed in rural cities up to 50,000 population. Priority is given to applications for loans in rural communities of 25,000 or less.

Eligible Borrowers

Any legal entity, including individuals, public and private organizations and federally recognized Indian tribal groups, may borrow. There is no size restriction on the business. Local economic development organizations and investors can be considered.

Eligible Loan Purposes

- Business and industrial acquisitions, construction, conversion, expansion, repair, modernization, or development costs.
- Purchase of equipment, machinery, or supplies.
- Startup costs and working capital.
- Processing and marketing facilities.
- Pollution control and abatement.
- Refinancing for viable projects, under certain conditions.

Maximum Loan Amount

Loan guarantees are limited to a maximum of \$10 million per borrower, although the RBS Administrator can grant up to \$25 million.

Loan Guarantee Limits (maximum percentage applies to the entire loan)

- 80% up to \$5 million
- 70% over \$5 million to \$10 million
- 60% over \$10 million to \$25 million

Collateral - Appraisals

All collateral must secure the entire loan. Repayment must be reasonably assured. Personal and corporate guarantees are required. A qualified appraisal report is required on property that will serve as collateral.

Loan-to-Appraised Market Value Ratios

Lenders will discount collateral consistent with sound loan-to-value policy.

Maximum Repayment Terms

- Working capital - 7 years
- Machinery and equipment - 15 years (or useful life)
- Real estate - 30 years

Ineligible Loan Purposes

- Line of credit.
- Agricultural production which is not part of an integrated business involved in the processing of agricultural products.
- Any project likely to result in the transfer of employment from one area to another.
- Any project involving transfer of ownership unless this will keep the business from closing, prevent the loss of jobs in an area or provide more jobs.
- Paying off a creditor in excess of the value of the collateral.
- Payment to owners, partners, shareholders or others who retain any ownership in the business.
- Corporations and businesses not at least 51% owned and controlled by US Citizens unless financing fixed assets in the United States.
- Charitable and educational institutions, religious organizations and affiliated entities, and fraternal organizations.

Fees and Costs

A one-time guarantee fee of 2 percent of the guaranteed principal amount is paid by the lender and may be passed on the borrower. Other typical lender costs may also be incurred.

Borrower Equity Requirements

A minimum of 10 percent tangible balance sheet equity is required at the time of issuing the loan note guarantee. Twenty percent tangible balance sheet equity is required for new businesses. Equity is developed in accordance with generally accepted accounting principles. Feasibility studies may be required.

Interest Rate

Interest rates for loans may be fixed or variable. The rate is negotiated between the lender and borrower and is similar to those rates customarily charged to other borrowers in similar circumstances. A variable rate must be tied to a nationally published rate. Variable rates cannot be adjusted more than quarterly.

Credit Quality

Lender addresses the business adequacy of equity, cash flow, collateral, history, management, and the current status of applicable industry in a written credit analysis.

Servicing/Liquidation

Financial statements developed in accordance with generally accepted accounting principles are required. Lenders will service and, if necessary, liquidate the loans (with USDA Rural Development's concurrence).

The mission of the Rural Business-Cooperative Service (RBS) is to enhance the quality of life for all rural Americans by providing leadership in building competitive businesses and cooperatives that can prosper in the global marketplace. RBS accomplishes this mission by investing its financial resources and /or technical assistance in businesses, cooperatives, and communities, and by building partnerships that leverage public, private, and cooperative resources to stimulate rural economic activity. This fact sheet focuses on the Cooperative Services programs of RBS.

What is a Cooperative?

User-owned cooperatives process and market products, purchase production supplies or consumer goods, provide housing and credit, build and operate rural utilities, and provide other services needed by rural residents. By working together for their mutual benefit in cooperatives, rural residents are often able to reduce costs, obtain services that might otherwise be unavailable, and achieve greater returns for their products. Cooperatives, both rural and urban, have been part of the American economy for more than 100 years. By one estimate, nearly one-third of the population belongs to some type of cooperative. Application of the cooperative business structure in rural economies is virtually limitless.

How USDA Helps Rural Cooperatives

The Cooperative Services program of RBS helps rural residents form new cooperative businesses and improve the operations of existing cooperatives. To accomplish this, Cooperative Services provides technical assistance, conducts cooperative-related research, and produces information products to promote public understanding of cooperatives.

For most of the past century, USDA's cooperative assistance has been concentrated on agricultural cooperatives. While agricultural marketing and supply cooperatives remain a primary focus of USDA's efforts, RBS plans to gradually expand the cooperative program to include assistance to all types of rural cooperatives.

Cooperative Development Assistance

Cooperative Services (CS) provides a wide range of assistance for people interested in forming new cooperatives. This help can range from an initial feasibility study to the creation and implementation of a business plan. CS staff includes cooperative development specialists who do everything from identifying potential cooperative functions to identifying best business and governance practices. They also provide training for cooperative directors.

CS strives to provide a realistic view of what it will take to make a new cooperative succeed. Staff members may also work in conjunction with cooperative development specialists in some of USDA Rural Development's State Offices around the Nation. Recent examples of rural cooperatives CS has helped form include a cooperative for rural women who produce

handcrafted gift items, a vegetable growers' cooperative which provides increased market access for its members, and a sea divers' cooperative which harvests and processes sea urchins for export to Asia.

Technical Assistance

CS provides technical assistance to existing cooperatives facing specific problems or challenges. Technical assistance could include helping a cooperative develop a strategic marketing plan to cope with new competitive forces, helping a co-op make a crucial decision whether to merge or form a joint venture with other cooperatives, or in finding a way to turn the raw products of cooperative members into value-added products. These matters are often crucial issues not only for a cooperative, but also for the rural communities in which they operate.

CS can help improve a cooperative's business structure and operating efficiency by analyzing operations, assessing the economic feasibility of adding new facilities, new products or services. Studies cover the full range of decisions facing cooperative businesses. Technical assistance is largely designed to benefit a specific cooperative business or group. However, the results often provide business strategy for all cooperatives.

Research

CS conducts research to provide a knowledge base to help cooperatives deal with changing markets and business trends. Studies include financial, structural, managerial, policy, member governance, legal, and social issues, as well as various other economic activities of cooperatives.

Research is designed to have direct application to current and emerging requirements of

cooperatives. A major challenge is to analyze industry structure and cooperative operational

practices to determine the changes required to maintain or achieve a producer-oriented marketing system. Recent research studies have focused on capitalization plans used by cooperatives, identification of new niche markets for cooperatives, and opportunities and obstacles cooperatives face when exporting goods overseas.

Education and Information

The Cooperative Marketing Act of 1926 mandates that USDA "...promote the knowledge of cooperative principles and practices and cooperate in promoting such knowledge with educational and marketing agencies, cooperative associations, and others." To meet this goal, CS provides a wide range of cooperative training programs and educational materials.

CS maintains a storehouse of information about cooperatives which it makes available to the public through more than 150 research reports, educational publications, and videos which cover all aspects of cooperative operations. A bimonthly magazine, *Rural Cooperatives*, reports significant achievements by cooperatives and highlights of CS research, technical assistance, and educational activities.

History and Statistics

Cooperative statistics are collected to detect growth trends and changes in structure and operations of the Nation's farmer-owned cooperatives. Data help identify and support research and technical assistance activities. This information is used extensively by legislative and executive branches of government in formulating agricultural and cooperative related policy.

COOPERATIVE SERVICES

Cooperatively owned businesses have clearly demonstrated their role in rural development. Not only do cooperatives develop leadership, which extends to other community organizations and businesses, but the economic impact they have upon locally owned farms and allied sectors

keeps income circulating in these communities. This leads to more jobs, improved rural infrastructure and more vibrant communities.

Kansas cooperatives are an important part of the State economy. The 148 plus agricultural cooperatives generate over \$5 billion in annual business volume. Twenty-nine rural electric cooperatives and 10 rural telephone cooperatives serving Kansas communities reported revenues of nearly \$345 million. Kansas Credit Unions have over \$231 million dollars in assets. The 14 Farm Credit cooperatives who finance production agriculture maintains an average loan volume of \$2 billion and 369 dairy herds participate in dairy herd improvement programs.

The type and scope of cooperatives vary from small businesses meeting specialized needs to large cooperatives serving a multi-nations clientele.

Regardless of the size or scope of the cooperative business, three basic principles govern the business. These principles are: **User-Owned**--the people who use the cooperative own it. The users own the assets, and have the obligation to provide financing in accordance with use: **User-Benefited** is demonstrated by members uniting to get services otherwise not available, to get supplies at the right time, to have access to markets or other mutually beneficial reason: **User-Controlled** principle is demonstrated, as owners, the members control its activities. This control is exercised through voting on membership issues. The purpose of a cooperative is not to generate profit for investors, but to provide benefits to its member-users.

The cooperative specialist in USDA's State Rural Development office in Topeka offers assistance to groups wanting to explore starting a new cooperative and existing cooperatives requesting technical assistance. Help for developing cooperatives is provided in the areas of business feasibility, organizational structure, financing, business planning and implementation. Assistance for existing cooperatives is available in the areas of financial planning, organization, feasibility and analysis, strategic planning plus education programs and resource materials.

Financial programs available for cooperatives include the Business and Industry Guaranteed Loans, Business and Industry Direct Loans, Rural Business Enterprise Grants, Rural Economic Development Loans and Grants, and:

Cooperative Value Added Program provides funds for cooperatives to develop plans for producing value-added products from members products.

Cooperative Development Grants assist cooperative development centers working in partnership with other State, national and local organizations help establish and strengthen cooperatives.

INTERMEDIARY RELENDING PROGRAM

The Program

The USDA Rural Development and Rural Business-Cooperative Development Services (RBS) through the Business, Cooperative, and Utilities Program Staff can make a loan at one percent (1%) interest for thirty (30) years to a qualified intermediary organization that uses USDA Rural Development/RBS funds and other available funds to make loans to ultimate recipient projects in rural communities under 25,000 population. The intermediary will establish a revolving loan fund to assist qualified projects.

Eligibility

- Intermediaries can be public agencies (state or local governments), private nonprofit organizations, Indian groups or certain cooperatives.
- Intermediaries must have appropriate legal authority and sufficient capitalization and experience to successfully operate a loan program. There must be assurance of repayment of the USDA Rural Development/RBS loan, and the loan must not be available from other sources at reasonable rates and terms.

Purposes

- Intermediary loans to ultimate recipients must be for community development projects, establishment of new businesses, expansion of existing businesses and for creating or saving jobs.
- Intermediaries may not use loan funds for charitable, educational, fraternal or religious organizations.
- Intermediaries may not make loans for agricultural production (with some exceptions), transfer of ownership (unless jobs will be saved), or hotels, recreation centers and certain other purposes.

Ultimate Recipient Projects

- With USDA Rural Development/RBS concurrence, the intermediary determines appropriate projects to improve economic conditions in rural areas.
- Interest rates between the intermediary and ultimate recipient are determined by those parties but are expected to be as low as possible.
- To be eligible for a loan, a project must be unable to get credit from private sources at reasonable rates and terms.
- USDA Rural Development/RBS loan funds may not be used to finance more than 75% of a project or \$250,000 whichever is lower. Other funds may be used if necessary.

Ultimate Recipient Projects...continued

USDA Rural Development/RBS loans to intermediaries and intermediaries loans to ultimate recipients must be adequately secured.

All intermediary applications are assigned priority points for funding based on intermediary equity, other funds involved, and area income and employment level, etc. Applicants compete on a national basis.

At least 51% of membership or ownership of an intermediary or ultimate recipient project must be citizens of the United States or legally admitted for permanent residence.

RD Instruction 4274-D, "Rural Development - Intermediary Relending Program," may be requested for a complete explanation of the program.

RURAL BUSINESS ENTERPRISE GRANT PROGRAM

Purpose

To support the development of small and emerging private business enterprises in rural areas.

Eligibility

Recipients of grants are public bodies and private nonprofit corporations in a rural area with a population under 50,000.

Use of Funds

May be used to finance and develop small and emerging private business enterprises in rural areas including, but not limited to, the following:

- Acquisition and development of land, easements, and rights-of-way.
- Construction, conversion, enlargement, repairs, or modernization of building, plants, machinery, equipment, access streets, and abatement facilities.
- Loan for start-up operating costs and working capital.
- Technical assistance for private business enterprises.
- Reasonable fees and charges for professional services.
- Refinancing of debts, excluding interest for an association under certain conditions.
- Providing financial assistance to third parties through a loan.
- Training, when necessary, private business enterprises in connection with technical assistance.

When funds May Not Be Used

- To produce agriculture products.
- To finance comprehensive area wide type of planning.
- For loans by grantees when the rates, terms, and charges are not reasonable or for ineligible purposes.
- For programs operated by cable television systems.
- To fund a part of a project which is dependent on other funding unless there is a firm commitment for other funding which will ensure completion of the project.
- To provide a pass-through grant to a business.

RURAL ECONOMIC DEVELOPMENT GRANT PROGRAM

Purpose

To make available to rural communities through Rural Utility Service borrowers (1) grants to be used for revolving loan funds for community facilities and infrastructure and (2) grant assistance in conjunction with rural economic development loans.

Applicant Eligibility

Grant funds may be granted to any RUS financed electric and telephone borrower that is not financially distressed, delinquent on any federal debt, or in bankruptcy proceedings.

Uses of Grant Funds

To establish a revolving Loan Fund (RLF) by the Rural Utility Service Borrower.

Initial RLF Loan to be for the following types of projects:

- Business incubators established by non-profit and/or public bodies.
- Community development assistance (non-profit and public bodies).
- Projects to public, for-profit or non-profit entities to provide education and training to rural residents to facilitate economic development.
- Projects to public, for-profit or non-profit entities to provide medical care to rural residents.

Project feasibility studies/technical assistance (feasibility studies in conjunction with a loan).

Revolving Loan Funds

Revolving loan funds will be provided only to RUS borrowers on a non pass-through basis. RUS borrowers will, in turn, provide loans to foster rural economic development.

Administration of Revolving Loan Funds

Initial loan funds may be used for:

- Business incubators by non-profit groups.
- Community development.
- Facilities and equipment for education.
- Facilities and equipment for medical care.

Loans made from repayments of the initial loans made by RUS borrowers may be used for any rural economic development purpose in accordance with prior agreement between the borrower and RBS.

Borrowers may charge reasonable loan servicing fees.

The borrower will provide a Board Resolution certifying a commitment to provide and maintain additional funding to the revolving loan fund in an amount no less than 20% of the RBS grant approved.

Administration of Revolving Loan Fund...continued:

The borrower must supply RBS a proposed budget demonstrating that no more than 10% of grant funds received are used to cover operating expenses of the revolving loan fund.

The funds must be lent to the project within three (3) years of the date of grant approval by RBS.

RBS requires that the revolving loan program be administered in accordance with a rural development plan, developed by the borrower and approved by RBS.

Borrowers applying for grant funds must submit a scope of work to RBS.

Rural Development Plan

RBS requires that the revolving loan program be administered in accordance with a rural development plan, developed by the borrower and approved by RBS.

The plan must outline the following:

- Specific objectives for the revolving loan fund program, lending parameters, maximum and minimum loan.
- Documentation of borrower's coordination of lending activities with other local entities that provide financing for rural economic development.
- Eligibility criteria if other than outlined in this section.
- The application process and method of disposition of the funds to the project owner.
- A procedure for monitoring the project owner's accomplishments and reporting requirements by the project owner's management.

The Scope of Work

Borrowers applying for grant funding must submit a scope of work to RBS.

The Scope of Work must contain the following:

- Documented need for grant funds.
- Documented authority and ability of the borrower to administer the revolving loan fund.
- Documented ability to commit financial resources under the control of the borrower to assist in the establishment of a rural development program.
- Documentation that the borrower has secured commitments of significant financial support for supplemental support.
- A list of proposed fees and other charges.
- Borrowers policy for non-Federal funds.

Ineligible Purposes

- Any project in which any director, officer, manager or stockholder, or relative thereof, who has a significant ownership interest or which would, in the judgment of the Administrator, present a potential for, or appearance of, a conflict of interest.
- Costs incurred prior to receipt of the completed application, without prior written approval.
- To refinance any debt incurred prior to the receipt of the completed Application.
- For any electric or telephone purpose.
- For the borrower's electric or telephone operation.
- Any operations affiliated with the borrower without prior written approval.
- To pay salaries or any employee or owner of the borrower or its affiliates.
- Community antenna television systems or facilities unless in conjunction with educational or medical entities and projects.

Supplemental Funding Requirement

A project will not be selected unless supplemental funding is provided in an amount equaling at least 20% of the amount of the zero-interest loan or grant funds provided by RBS.

Supplemental funding may be provided by the project owner in the form of equity funds, private sources, state and local government sources, other Federal Government sources, the RUS borrower, etc.

Loans in Conjunction with Grants

Grants (up to 20% of the amount provided by RBS) made in conjunction with RBS zero-interest loans are limited to:

- Project feasibility studies.
- Acquisition of technical assistance.
- Business incubators by non-profit groups.
- Community development.
- Facilities and equipment for education.
- Facilities and equipment for medical care.

Application Submission and Review

The following factors will be considered in the selection process:

- Nature of the project.
- Job creation projections.
- Long-term improvements in economic development.
- Diversifying the rural economy or alleviating under-employment.
- Supplemental funds.
- Economic conditions and job creation.
- Unemployment rates.
- Per Capita personal income.

Application and Submission Review...continued

- Change in population.
- Number of long-term jobs.
- Community-based Economic Development Program.
- Plan for improving the marketable skills of people in rural areas.
- Location (rural).
- Support for the program - funds deposited in the cushion-of-credit account.
- Demonstration Project.
- Probability of success.

Source of Funds

All funds for grants available under this program are provided by the following sources:

- Interest differential credits to the Rural Economic Development Subaccount.

Maximum and Minimum

Maximum size of grant - three percent (3%) of projected total funds available under Section 313 of the RE Act during that fiscal year, rounded to nearest \$10,000.

The National Office annually determines the maximum/minimum amounts.

RURAL ECONOMIC DEVELOPMENT LOAN PROGRAM

Purpose

Provides zero interest loans and grants to RUS borrowers to promote rural economic development and job creation projects.

Applicant Eligibility

Zero interest loans and grants may be made, at the discretion of the Administrator, to any RUS borrower that is not delinquent on any Federal debt or in bankruptcy proceeding.

Loan Purposes

To promote rural economic development and/or job creation projects, including, but not limited to:

- Real Estate Improvements.
- Machinery and Equipment.
- Other Start-up costs.

Ineligible Purposes

- Any project in which any director, officer, manager, or stockholder, or relative thereof, who has a significant ownership interest or which would, in the judgment of the Administrator, present a potential for, or appearance of, a conflict of interest.
- Costs incurred prior to receipt of the completed application, without prior written approval.
- Projects located in areas covered by the Coastal Barrier Resources Act or projects which would adversely impact the environment.
- For the purchase or lease of any real property materials, equipment, or services from the borrower, or significant stockholders, officers, managers, or close relatives thereof without the Administrator's prior written approval.
- To refinance any debt incurred prior to the receipt of the completed Application.
- For any electric or telephone purpose.
- For the borrower's electric or telephone operation.
- Any operations affiliated with the borrower without prior written approval.
- To pay salaries or any employee or owner of the borrower or its affiliates.
- Community antenna television systems or facilities unless in conjunction with educational or medical entities and projects.

Maximum and Minimum Sizes

Maximum size of loan: 3% of projected total funds available under Section 313 of the RE Act, during that fiscal year, rounded to the nearest \$10,000.

The National Office annually determines the maximum/minimum amounts.

Supplemental Funding Requirement

A project will not be selected unless supplemental funding is provided in an amount equaling at least 20% of the amount of the zero-interest loan or grant funds provided by RBS.

Supplemental funding may be provided by the project owner in the form of equity funds, private sources, state and local government sources, other Federal Government sources, the RUS borrower, etc.

Terms of Zero-interest Loan Repayment

- The promissory note covering the repayment of the zero-interest loan is between RBS and the RUS borrower.
- Repayment terms on the loan to the borrower are based on the nature of the project. Ordinarily, the term, including any principal deferment period, will not exceed 10 years.
- Repayment by the recipient must equal the terms to the RUS borrower, unless approved by the Administrator.
- Principal repayments may be deferred for a period up to two (2) years by the Administrator. Ordinarily, the deferment for an established business will be limited to one (1) year.

Policy

- Promote projects that will result in a sustainable increase in the productivity of economic resources in rural areas and thereby lead to a higher level of income for rural citizens.
- RUS borrowers promote economic development in rural areas and job creation projects that (1) are based on sound economic and financial analyses and (2) take a long-term perspective.
- Encourage economic development in rural areas and job creation projects without regard to service area.
- To promote financially viable projects.
- To encourage RUS borrowers to deposit funds in cushion-of-credit accounts.

Application Submission Requirements

An "Application" must consist of:

- Standard Form 424: "Application for Federal Assistance."
- Board Resolution (ref. to 7 CFR 1703.34(2)).
- Miscellaneous Federal Forms and Certifications
 - ⇒ Narrative discussion of the following:
 - ⇒ "Selection Factors" as set forth in 1703.35.
 - ⇒ "Project Description" as set forth in 1703.38.
 - ⇒ Except for applications for feasibility studies, a discussion regarding the "Environmental Impact of the proposed project."

Application Review

The following factors will be considered in the selection process:

- Nature of the project.
- Job creation projections.
- Long-term improvements in economic development.
- Diversifying the rural economy or alleviating under-employment.
- Supplemental funds.
- Economic conditions and job creation.
- Unemployment rates.
- Per Capita personal income.
- Change in population.
- Number of long-term jobs.
- Community-based Economic Development Program.
- Plan for improving the marketable skills of people in rural areas.
- Location (rural).
- Support for the program funds deposited in the cushion-of-credit account.
- Demonstration Project.
- Probability of success.
- Special economic status.

Other Considerations

- Environmental Requirements.
- Equal opportunity and nondiscrimination.
- Architectural Barriers Act of 1968.
- Flood hazard area precautions.
- Real property acquisition and relocation.
- Department and Suspension.
- Drug-free workplace (grant only).
- Restrictions on lobbying.

Source of Funds

Funds for zero-interest loans are derived from annual appropriations from Congress.

The National Office annually determines the maximum/minimum amounts.

*Rural
Housing
Service*

Community Facilities Loans and Grants

Community facilities—such as health care clinics, police and fire stations, schools and child care centers—are essential to the quality of life in rural communities. Through its Community Facilities Loan and Grant programs, the Rural Housing Service (RHS) of USDA Rural Development seeks to ensure that these facilities are readily available to all rural Americans. .

RHS makes and guarantees loans and grants to develop essential community facilities in rural areas and towns of up to 20,000 in population. Direct loans may be made to applicants unable to obtain commercial credit. RHS can also guarantee loans made and serviced by lenders such as banks, savings and loans, mortgage companies that are part of bank holding companies, Farm Credit System banks, or insurance companies regulated by the National Association of Insurance Commissioners. RHS may guarantee up to 90 percent of any loss of interest or principal on the loan. Grants are authorized on a graduated scale. Priority is given to applicants in rural communities with populations of 5,000 or less. Applicants with low median household incomes receive a higher percentage of the grants.

How May Funds Be Used?

Loan funds may be used to construct, enlarge, or improve community facilities for health care, public safety, and public services. This can include costs to acquire land needed for a facility, pay necessary professional fees, or purchase operating equipment. Funds are

available to public entities such as municipalities, counties, special-purpose districts, nonprofit corporations, and tribal governments. Grants may be made in combination with other financial assistance, such as a Community Facilities direct or guaranteed loan, applicant contribution, or loans and grants from other sources. Examples of essential community facilities include:

Health Care

Clinics, ambulatory care centers, hospitals, rehabilitation centers, and nursing homes.

Telecommunications

Medical and educational telecommunication links.

Public Safety

Communications centers, police and fire stations, fire trucks, rescue vehicles, jails, and

Public Services

Child care centers, adult day care centers, shelters for abused women and children, shelter workshops, airports, libraries, city halls, and schools.

Who May Apply?

Loans, loan guarantees, and grants are available to public entities such as municipalities, counties, and special-purpose districts, as well as to nonprofit corporations and tribal governments. Applicants must:

- Be unable to obtain funds from commercial sources at reasonable rates and terms;
- Have legal authority to own, construct, operate, and maintain the proposed facility;
- Provide for facilities needed for orderly community development, consistent with State strategic plan.

For grant funding, the facility must serve areas where the median household income of the population is either below the poverty line or below 90 percent of the State non-metropolitan

median household income (whichever is higher).

What Are the Terms?

The maximum term for all loans is 40 years. However, the repayment period is limited to the useful life of the facility or any statutory limitation on the applicant's borrowing ability.

What Is the Interest Rate?

Interest rates for direct loans are based on current market yields for municipal obligations. Other direct loans may qualify for a lower interest rate depending upon the median household income of the residents of the community to be served. Interest rates for guaranteed loans may be fixed or variable as determined by the lender and borrower, subject to RHS review and approval.

What Security is Required?

Bonds or notes pledging taxes, assessments, or revenues will be accepted as security if they meet statutory requirements. Where State laws permit, a mortgage may be taken on real and personal property. Tax-exempt notes or bonds may be issued to secure direct loans, but cannot be used for guaranteed loans.

What is the Maximum Grant:

Grant assistance may be available for up to 75 percent of project costs. A scale is used to determine grant funding limitations based on population and income. Assistance may be further limited to the minimum amount needed for economic feasibility of the project, and with consideration to availability of funds.

How Are Applications Made?

Applications are filed with USDA Rural Development field offices. Rural Development staff will be glad to discuss a community's needs and the services available from RHS and other USDA agencies. USDA Field staff can provide application materials and current program information, and can help prepare an application.

Rural Development field office locations are generally listed in local telephone directories under the heading "U.S. Government, Department of Agriculture."

Kansas State Office:
USDA Rural Development
1303 SW First American Place
Suite 100
Topeka, Kansas 66604-4040
(785) 271-2700 or FAX (785) 271-2771
Website: <http://rurdev.usda.gov/ks>

Interested applicants and lenders may also contact the RHS National Office at the following address:

U.S. Department of Agriculture
RHS/Community Programs Division
1400 Independence Avenue, SW.
Washington, D.C. 20250-0700
Telephone: (202) 720-1490
Fax: (202) 690-0471

Examples of Essential Community Facilities

Community Health Care



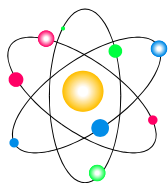
Dental Clinic
Nursing Home
Assisted Living Facility
Physicians Clinic
Boarding Home for the Elderly
Hospital (General & Surgical)
Medical Rehabilitation Center
Psychiatric Hospital
Outpatient Clinic

Cultural & Educational



All Purpose Buildings/College Campus
Colleges
Educational Camp for Physically and
Mentally Handicapped
Library
Museum
Outdoor Theater
Public School
School Maintenance & Equipment Service
Center
Vocational School

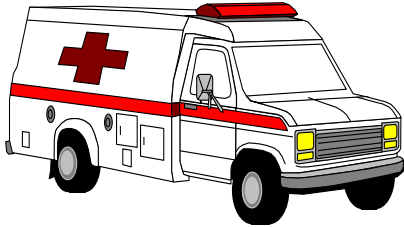
Energy Transmission & Distribution



Electric Equipment Maintenance Building
Low Head Hydro-Electric Facility
Natural Gas Distribution

Examples of Essential Community Facilities

Fire, Rescue & Public Safety



Civil Defense Building
 Communication Center
 Fire Department Building
 Fire Trucks
 Jail
 Mobile Communications Center
 Multi-Service Fire/Rescue Building
 Police Station
 Rescue & Ambulance Service Building
 Equipment Building
 Jaws of Life

Public Buildings & Improvements



Adult Day Care Center
 Child Day Care Center
 City Hall
 Community Health Department
 County Office Building
 Community Center
 County Courthouse
 Courthouse Annex
 Data Processing Center
 Food Preparation Center
 Food Storage and Distribution Center
 Heating Plant for Public Buildings
 Home for Delinquents
 Public Maintenance Building
 Community Center
 Business Incubator

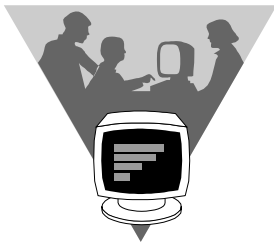
Examples of Essential Community Facilities

Transportation



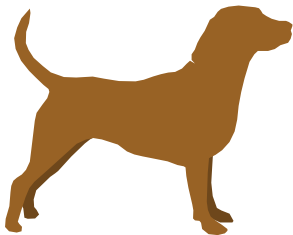
Airport Hangar
Airport
Bridge
City Airport
Municipal & County Garage
Offstreet Parking
Sidewalks
Street Improvements
Infrastructure for Industrial Park
Railroad
Town Bus Service/Equipment
Marina
Municipal Dock
Special Transportation Equipment

Utility



Telemedicine / Distance Learning
Natural Gas

Other



Agricultural Fairgrounds
Animal Shelter
Dike
Special Services Building
Sprinkler System

COMMUNITY FACILITIES DIRECT LOAN PROGRAM

USDA Rural Development is authorized to make loans to develop community facilities for public use in rural areas and towns of not more than 20,000 people.

Applications will be considered without regard to race, color, religion, sex, marital status, age, handicap, or national origin of members of the group applying for assistance. Opportunity to construct, develop, and use the facilities must be extended on this same basis.

Who may receive assistance?

Loans are available for public entities such as municipalities, counties, and special purpose districts. Nonprofit corporations and Indian tribes may also receive loan assistance when adequate plans for loan repayments are made.

In addition, borrowers must:

- Be unable to obtain needed funds from other sources at reasonable rates and terms.
- Have legal authority to borrow and repay loans, to pledge security for loans, and to construct, operate, and maintain the facilities or services.
- Be financially sound, and be able to organize and manage the facility effectively.

The project must be based on taxes, assessments, revenues, fees, or other satisfactory sources of money sufficient for operation, maintenance, and reserve, as well as to retire the debt. The project also must be consistent with available comprehensive and other development plans for the community, and comply with Federal, State, and local laws.

How may funds be used?

USDA Rural Development funds may be used to construct, enlarge, or improve community facilities for health care, public safety, and public services.

Health care facilities include hospitals, nursing homes, and dental or medical clinics or medical rehabilitation centers. Funds may also be used for necessary equipment for the operation of these facilities; and to pay other necessary costs connected with them.

Public safety facilities include fire stations and buildings to house fire and/or rescue equipment. Funds may also be used to (1) purchase fire trucks, ambulances, or emergency communications equipment, (2) buy or build fire and rescue multi-service centers, police stations, and jails, and (3) pay necessary costs connected with these facilities.

Public service facilities include community buildings, courthouses, public maintenance buildings, libraries, schools, industrial parks, roads, bridges, airports, fairgrounds, utilities, and other improvements or to acquire interest in lands, leases, and rights-of-way necessary to develop the facilities. Loan funds may also be used for necessary equipment for the operation of these facilities.

USDA Rural Development may fund other types of community facilities that provide essential service to rural residents; and to pay necessary costs connected with such facilities.

Interim commercial financing will normally be used during construction, and Rural Development funds will be available when the project is completed. If interim financing is not available or if the project costs less than \$50,000, multiple advances of Rural Development funds may be made as construction progresses.

What are the terms?

The maximum term on all loans is 40 years. However, no repayment period will exceed any statutory limitation on the organization's borrowing authority nor the useful life of the improvement or facility.

What is the interest rate?

Interest rates will be set periodically and will be based on current market yields for municipal obligations, except that some loans which involve the use of prime or unique farmland may require a slightly higher interest rate. Certain other loans may be made at a lower interest rate. The current interest rate may be obtained from any USDA Rural Development office.

What security is required?

All loans will be secured to adequately protect the interest of the Government. Bonds or notes pledging taxes, assessments, or revenues will be accepted as security if they meet statutory requirements. A mortgage may also be taken on real and personal property when State laws permit.

Where will applicants obtain technical help?

The USDA Rural Development will assist the applicant in making the first determinations regarding engineering feasibility, economic soundness, cost estimates, organization, financing, and management matters in connection with the proposed improvements.

If financing is provided by Rural Development, the agency will make periodic inspections to see that funds are used as agreed upon.

How is application made?

Any USDA Rural Development office can give basic information about community facility loans, but application should be made at the Rural Development field office. The field office staff will be glad to discuss services available from the agency and explain how to prepare a written application.

COMMUNITY FACILITIES GUARANTEED LOAN PROGRAM

The USDA Rural Development and Rural Housing Service (RHS) are authorized to guarantee loans made by eligible lenders to borrowers in rural areas and in towns of up to 20,000 population for developing essential community facilities.

What is an eligible lender?

Eligible lenders are those lenders who are subject to credit examination by either a Federal or State Agency. These may include:

- A bank or savings and loan.
- A mortgage company that is part of a bank holding company.
- A farm credit bank of the Federal Land Bank Association.
- An insurance company regulated by the National Association of Insurance Commissioners.
- Others as approved by the Rural Development/RHS Administrator.

What is an eligible borrower?

Those borrowing funds under this program must be a non-profit corporation, a public entity such as a municipality, county, or special purpose district, or an Indian tribe. The borrower must have the legal authority to borrow and repay the loan and meet all the requirements of the loan. Applicants for the loan must be unable to obtain the loan from the private or cooperative without the guarantee, at reasonable rates and terms.

How may funds be used?

Funds guaranteed under this program may be used to construct, enlarge, or otherwise improve essential community facilities. This can include costs to acquire interest in lands, leases, and rights-of-way necessary to develop the facility. Funds can also be used for necessary equipment for the operation of the facility.

What is the Guarantee?

Normally the guarantee rate will be 80% of the loan amount. However, Rural Development/RHS may guarantee up to 90% when certain extraordinary circumstances exist.

What is the Guarantee Fee?

Rural Development/RHS will charge the lender a fee of 1% of the guaranteed portion of the loan. The guarantee fee may be passed on to the borrower.

What purposes are ineligible?

Guarantees cannot be issued for:

- Loans made by Federal or State Agencies.
- On-site utility systems or business and industrial buildings in connection with an industrial site.
- Community antenna services or facilities.
- Electrical generation, transmission, or telephone systems.
- Facilities that are not modest in size, design, or cost.
- Loan finders fees.
- Projects located within the Coastal Barriers Resource System that do not qualify for an exception.

How do I find out more and make an application?

For further information regarding this program, contact the Rural Development office servicing your area. The Rural Development office staff will be glad to discuss services available from the Agency and explain how to prepare a written application.

COMMUNITY FACILITIES GRANT PROGRAM

Community Facilities (CF) grants can be issued to assist the poor rural areas and towns in developing essential public community facilities.

Authorizing Statute

Section 763 of Public Law 104-127 amended the Consolidated Farm and Rural Development Act (CONACT) to create the Community Facilities Grant program. The legislative language requires the use of grant funds on a graduated scale enabling rural communities with small populations and low-income levels to receive a greater percentage of grant funds.

Who is Eligible?

Eligibility is limited to associations, nonprofit corporations, public bodies, and federally recognized Indian Tribes serving rural areas. Applicants must:

- Be unable to obtain needed funds from commercial sources at reasonable rates and terms.
- Have the legal authority necessary for construction, operation, and maintenance of the proposed facility.
- Propose facilities that are necessary for orderly community development and consistent with the State's strategic plan.
- Be located in a rural community having a population of 20,000 or less and serve primarily rural areas with populations of 20,000 or less.
- Serve areas where the median household income of the population to be served by the proposed facility is below the higher of the poverty line or 90 percent of the State nonmetropolitan median household income.

How may funds be used?

Grant funds may be used to supplement financial assistance authorized in Rural Development Instruction (RD) 1942-A, "Community Facilities Loans;" RD Instruction 1942-C, "Fire and Rescue Loans;" or RD Instruction 3575-A, "Community Programs Guaranteed Loans." Funding for the balance of the project may consist of other CF financial assistance (direct or guaranteed loans), applicant contribution, or loans or grants from other sources. Typical facilities include public service, health care, telecommunication and public safety.

What is the maximum grant?

Grant assistance may be available for up to 75 percent of project costs. A scale has been developed to predetermine grant funding limitations based on population and income. Grant assistance may be further limited to the minimum amount sufficient to provide economic feasibility to the proposed project and either \$50,000 or 50 percent of a State annual allocation, whichever is greater.

What are the funding priorities?

Projects will be selected based on a priority point system. Projects that will receive priority are those that:

- Serve small communities with the highest priority going to those with a population of 5,000 or less.
- Serve very low-income communities with the highest priority going to communities with a median household income below the higher of the poverty line or 60 percent of the nonmetropolitan median household income.
- Provide health care, public safety services, or services identified as necessary in the State strategic plan.

Limitation on Grant Funds

Grant funds cannot be used to:

- Pay any annual recurring costs, including purchases or rentals that are generally considered to be operating and maintenance expenses.
- Construct or repair electric generating plants, electric transmission lines, or gas distribution lines to provide services for commercial sale.
- Refinance existing indebtedness, pay interest, or loan/grant finder's fees.
- Pay any costs of a project where the median household income of the population to be served by the proposed facility is above the higher of the poverty line or 90% of the State nonmetropolitan median household income.
- Pay project costs when other loan funding for the project is at reasonable rates and terms.
- Pay costs to construct facilities to be used for commercial rental where the applicant has no control over tenants and services offered.
- Construct facilities primarily for the purpose of housing, State, Federal, or quasi-Federal agencies.
- Finance facilities which are not modest in size, design, and cost.
- Finance recreation facilities or community antenna television services or facilities.

How are applications processed?

Applicants will be required to submit supporting data before formal application is made. After determining the order of funding priorities, the Agency will tentatively determine eligibility and request applicants to assemble and submit formal applications. See "What are the funding priorities?"

Grant Closings and Disbursement of Funds

If grants are authorized in combination with the CF direct and guaranteed loan programs, loans and grants will be closed simultaneously after determining applicable administrative actions and work required of the applicant have been completed. All borrower funds and other CF financial assistance (direct or guaranteed funds) must be expended before grant funds are made available. Grant funds will not be disbursed from the Treasury until they are actually needed by the applicant.

*Rural
Utilities
Service*

Water and Waste Disposal Programs

The Rural Utilities Service (RUS) administers a water and wastewater loan and grant program to improve the quality of life and promote economic development in rural America. RUS is a new Agency created in October 1994 by the reorganization of the United States Department of Agriculture (USDA). The program was previously administered by the Rural Development Administration and the Farmers Home Administration, which were abolished by the reorganization. At the State and local levels, the program is administered by field offices of USDA's Rural Development mission area.

Water and Waste Disposal Direct and Guaranteed Loans

Purpose: Direct loans may be made to develop water and wastewater systems, including solid waste disposal and storm drainage, in rural areas and to cities and towns with a population of 10,000 or less. Funds are available to public entities, such as municipalities, counties, special-purpose districts, and Indian tribes. In addition, funds may be made available to corporations operated on a not-for-profit basis.

deteriorating water supply, or to improve, enlarge, or modify a water facility or an inadequate waste facility. Also, preference will be given to requests which involve the merging of small facilities and those serving low-income communities. Applicants must be unable to obtain funds from other sources at reasonable rates and terms. The maximum term for all loans is 40 years; however, no repayment period will exceed state statutes or the useful life of the facility. Interest rates may be obtained from Rural Development field offices.

Guaranteed loans may be made for the same purpose as direct loans. They are made and serviced by lenders such as banks and savings and loan associations. Normally, guarantees will not exceed 80 percent on any loss of interest and principal on the loan.

Water and Waste Disposal Grants

Purpose: Reduce water and waste disposal costs to a reasonable level for users of the system. Grants may be made, in some instances, up to 75 percent of eligible project costs. Eligible applicants are the same as for loans.

Priority will be given to public entities, in areas with less than 5,500 people, to restore a

Technical Assistance and Training Grants

Purpose: Make grants to nonprofit organizations to provide technical assistance and/or training to associations located in rural areas and to cities and towns with a population of 10,000 or less.

Assistance may be provided to identify and evaluate solutions to water and waste disposal problems, to improve the operation and maintenance of existing water and waste disposal facilities, and to assist associations in preparing applications for water and waste disposal facilities.

Solid Waste Management Grants

Purpose: Make grants to public and private nonprofit organizations to provide technical assistance and/or training to associations located in rural areas and to cities and towns with a population of 10,000 or less to reduce or eliminate pollution of water resources, and to improve planning and management of solid waste facilities. Assistance may be provided to enhance operator skills in operations and maintenance, identify threats to water resources, and reduce the solid waste stream.

Rural Water Circuit Rider Technical Assistance

Purpose: Provide on-site technical assistance to help assure cost-effective operation of rural water systems. RUS has assisted rural water systems, via contracting, with day-to-day operational, financial and management problems. The assistance is provided at no

charge and may be requested by officials of rural water systems or by Rural Development personnel. It complements supervisory assistance provided by Rural Development personnel.

Applications

Information about the water and waste disposal programs and advice on how to assemble information to determine engineering feasibility, economic soundness, cost estimates, organization, financing and management matters, may be obtained from Rural Development field offices. These offices are usually listed in local telephone directories under "U. S. Department of Agriculture."

For More Information Write

Your local or State USDA Rural Development office:

USDA Rural Development
1303 SW First American Place
Suite 100

Topeka, Kansas 66604-4040
(785) 271-2730
(785) 271-2771

Website: <http://www.rurdev.usda.gov/ks>

or

the National Office at:
USDA Rural Utilities Service
1400 Independence Ave SW
Stop 1548
Washington, D.C. 20250-1548
Phone: (202) 720 0962
FAX: (202) 720-0718

DISTANCE LEARNING AND TELEMEDICINE LOAN AND GRANT PROGRAM

The purpose of the DLT Program is to provide financial assistance to needy recipients in rural community facilities, such as schools, hospitals, and medical centers to encourage, improve, and make affordable the use of enhanced telecommunications computer networks to provide educational and medical benefits and health care opportunities to rural areas.

The innovative use of telecommunications technologies to address this need and the dependence of the application on Federal financial assistance in order to successfully carry out the project will be considered. The applications will be scored in accordance with the provisions of RD Instruction 1703.117, Criteria for Scoring Applications.

Loan and Grant Purposes

- Acquiring eligible equipment by lease or purchase.
 - ⇒ Computer hardware or software.
 - ⇒ Audio and visual equipment.
 - ⇒ Computer network components.
 - ⇒ Telecommunications terminal equipment.
 - ⇒ Data terminal equipment.
 - ⇒ Inside wiring.
 - ⇒ Interactive video equipment.
- Acquiring instructional programming.
- Providing technical assistance and instruction for using eligible equipment.

Eligible Applicants

Incorporated organization, partnership, Indian tribe and tribal organization or other legal entity organized on a for-profit or not-for-profit, which operates a school, college, learning center, or other educational institution, including a library, hospital, medical clinic or any rural community facility.

Minimum and Maximum Loans and Grants

Loans: minimum of \$50,000 and maximum of \$10,000,000

Grants: minimum of \$50,000 and maximum of \$ 500,000

Percentage of Eligible Project Costs

Loans: cannot exceed 90% of eligible project cost.

Grants: cannot exceed 70% of eligible project cost.

WATER AND WASTE DISPOSAL LOAN AND GRANT PROGRAM

USDA Rural Development is authorized to provide financial assistance for water and waste disposal facilities in rural areas and towns of up to 10,000 people.

Who May Receive Assistance?

Public entities such as municipalities, counties, special purpose districts, Indian tribes, and corporations not operated for profit. Priority will be given to public entities in areas smaller than 5,500 people to restore a deteriorating water supply, or to improve, enlarge, or modify a water facility or an inadequate waste facility. Preference will also be given to requests which involve the merging of small facilities and those serving low-income communities.

In addition, applicants must:

- Be unable to obtain needed funds from other sources at reasonable rates and terms.
- Have legal capacity to borrow and repay loans, to pledge security for loans, and to operate and maintain the facilities or services.
- Be financially sound and able to manage the facility effectively.
- Have a financially sound facility based on taxes, assessments, revenues, fees or other satisfactory sources of income to pay all facility costs including operation and maintenance, and to retire the indebtedness and maintain a reserve.

Water or waste disposal systems must be consistent with any development plans of the State, multijurisdictional area, counties, or municipalities in which the proposed project is located. All facilities must comply with Federal, State, and local laws including those concerned with zoning regulations, health and sanitation standards, and the control of water pollution.

How May Funds Be Used?

Loan and grant funds may be used to do the following:

- Construct, repair, improve, expand, or otherwise modify rural water supply and distribution facilities, including reservoirs, pipelines, wells, and pumping stations.
- Acquire a water supply or a water right.
- Construct, repair, improve, expand, or otherwise modify waste collection, pumping, treatment, or other disposal facilities. Facilities to be financed may include such items as sewer lines, treatment plants, including stabilization ponds, storm sewer facilities, sanitary landfills, incinerators, and necessary equipment.
- Pay necessary fees such as legal and engineering connection with development of facilities.
- Pay other costs related to the development of the facility including the acquisition of rights-of-way and easements, and the relocation of roads and utilities.
- Finance facilities in conjunction with funds from other agencies or those provided by the applicant.

Interim commercial financing will normally be used during construction, and Rural Utilities Service (RUS) funds will be available when the project is completed. If interim financing is not available, or if the project cost is less than \$500,000, multiple advances of RUS funds may be made as construction progresses.

What are the Terms?

The maximum term on all loans is 40 years. However, no repayment period will exceed any statutory limitation on the organization's borrowing authority nor the useful life of the improvement or facility to be financed.

What is the Interest Rate?

Interest rates will be set periodically and be based on current market yields for municipal obligations. Certain loans may be made at a lower rate. The current rates may be obtained from any USDA Rural Development Office.

Where and How are Applications Made?

Applications for financial assistance are made at field offices of USDA Rural Development. The field office staff will be glad to discuss services available from the Agency and explain application procedures. All applications are considered without regard to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (provided the applicant has the capacity to enter into legal contract) of the members of the groups applying for assistance, and service must be extended on the same basis.

What Security is Required?

All loans will be secured to adequately protect the interest of the Government. Bonds or notes pledging taxes, assessments, or revenues may be accepted as security if they meet statutory requirements. A mortgage may also be taken on the organization's facilities when State laws permit.

Grants

Funds may be available for up to 75 percent of eligible facility development costs. Such assistance may be made available for facilities serving the most financially needy communities to reduce user costs for eligible grant recipients to a reasonable level.

Where will Applicants Obtain Technical Help?

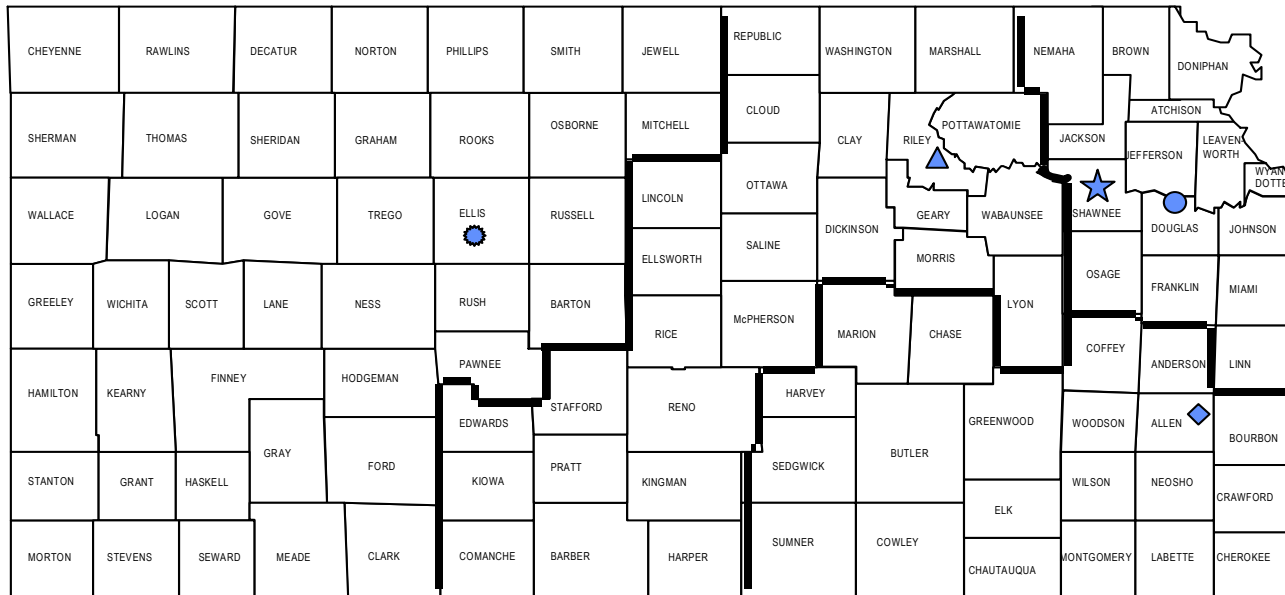
USDA Rural Development will advise the applicant as to how to assemble information to determine engineering feasibility, economic soundness, cost estimates, organization, financing, and management matters in connection with the proposed improvements.

If financing is provided, USDA Rural Development will also make periodic inspections to monitor project construction.

Office Locations

Contact Points for Community and Business Programs Information

★ KANSAS STATE OFFICE
 1303 SW First American Place
 Suite 100
 Topeka, Kansas 66604-4040
 (785) 271-2730
 FAX (785) 271-2771



⚙️ HAYS OFFICE
 2715 Canterbury Drive
 Hays, KS 67601
 785-628-3081
 FAX 785-625-6065

▲ MANHATTAN OFFICE
 2615 Farm Bureau Road
 Manhattan, KS 66502
 785-776-7582
 FAX 785-539-2733

◆ IOLA OFFICE
 202 W. Miller Road
 Iola, KS 66749
 620-365-2901
 FAX 620-365-5785

● LAWRENCE OFFICE
 3010 Four Wheel Drive, Unit D
 P.O. Box 3447
 Lawrence, KS 66046
 785-843-4260
 FAX 785-841-1087

Local Office Jurisdictions

<p>COLBY 915 E. Walnut Colby, KS 67701 (785)462-7671 FAX (785)462-9726</p>	<p>HAYS 2715 Canterbury Drive Hays, KS 67601 (785)628-3081 FAX (785)625-6065</p>	<p>MANHATTAN 2615 Farm Bureau Road Manhattan, KS 66502 (785)776-7582 FAX (785)539-2733</p>	<p>LAWRENCE OFFICE 3010 Four Wheel Drive, Unit D P.O. Box 3447 Lawrence, KS 66046 (785)843-4260 FAX (785)841-1087</p>	<p>PAOLA 100 N. Angela Paola, KS 66071 (913)294-3751 FAX (913)294-3386</p>
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<p>GARDEN CITY 2106 E. Spruce Garden City, KS 67846 (620)275-0211 FAX (620)275-4903</p>	<p>LYONS 1480 Hwy 56, Ste. 103 Lyons, KS 67554 (620)257-5184 FAX (620)257-5653</p>	<p>EL DORADO 2503 Enterprise, Ste. C El Dorado, KS 67042 (316)321-5803 FAX (316)321-4956</p>	<p>IOLA 202 W. Miller Road P.O. Box 408 Iola, KS 66749 (620)365-2901 FAX (620)365-5785</p>	<p>ALTAMONT 115 West 4th P.O. Box 386 Altamont, KS 67330 (620)784-5431 FAX (620)784-5900</p>
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