**Rural Energy for America Program (REAP)**

RD Instruction 4280-B
7 CFR Part 4280 – Federal Register

**REAP at a Glance**

2002 Farm Bill: (Section 9006)
- Established as a grant and loan guarantee program;
- To assist agricultural producers and rural small businesses;
- To purchase/install renewable energy systems and make energy efficiency improvements.

2008 Farm Bill: (Section 9007) (renamed to REAP)
- Added grants for Feasibility Studies, Energy Audits and Renewable energy development assistance;
- Added Small Hydropower/hydroelectric and Ocean technologies.

2014 Farm Bill:
- Rescinded grants for Feasibility Studies
- Rescinded flexible fuel pump technologies
- Provided streamlined/simplified application

**What is the Rural Energy for America Program?**

✓ Program designed to assist farmers, ranchers and rural small businesses reduce energy cost and consumption with renewable energy and energy efficiency improvement projects

✓ Provides grants and loan guarantees for renewable energy and energy efficiency projects

✓ Helps meet the Nation’s critical energy needs

**Renewable Energy Systems**

- Wind turbines
- Solar panels
- Renewable Biomass
  - Biofuels
  - Pellets
  - Biomass boilers
- Anaerobic Digestion
- Geothermal
- Hydroelectric
- Hydrogen

**Renewable Energy**

Veterinary Hospital
- Roof top solar panels
  - $148,050 Total Cost
  - $20,000 REAP Grant
  - $128,050 Applicant Funds
  - 30-40% reduction in operating expenses

Small Energy Company & Dairy Farmers
- 1 MW Anaerobic digester
  - $4.15 Million Total Cost
  - $100,000 REAP Grant
  - $2.65 Million REAP Guarantee
  - Powers an equivalent of 700 homes/year
**Rural Auto Repair Shop**

11 kW micro-hydropower turbine

- $78,511 Total Cost
- $19,695 REAP Grant
- $58,816 Applicant Funds

51% reduction in energy costs

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**What is an Energy Efficiency Improvement?**

Improvement to a facility, building, or process that reduces energy consumption.

This is determined by an Energy Assessment or Energy Audit.

Only cost identified in these reports are allowed!!!

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**Energy Efficiency Improvements**

Some examples:
- Lighting
- Heating
- Cooling
- Ventilation
- Fans
- Automated Controls
- Insulation
- Equipment Replacement

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**Chicken Farm**

- Radiant heat, fans, vents & computerized controls
- $99,293 Total Cost
- $20,000 REAP Grant
- $79,293 Commercial Loan

Improved egg production, reduced time and labor, energy savings

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**Laundromat & Dry Cleaner**

- Energy efficient equipment
  - $42,040 Total Cost
  - $10,510 REAP Grant
  - $31,531 Dealer Financing

52% energy savings

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**Nursery**

- Energy efficient glass roof, radiant heat, fans, vents, & computerized controls
- $287,855 Total Cost
- $71,964 REAP Grant
- $100,000 REAP Guarantee
- $115,891 Commercial Loan

40% reduction in energy costs
Energy Efficiency

**Rural Manufacturer**  
- Efficient lighting system  
  - $78,511 Total Cost  
  - $19,665 REAP Grant  
  - $58,816 Applicant Funds  
- 50% savings on lighting bill  
  - $500 per month savings

**Grocery Store**  
- Energy efficient cooler doors  
  - $41,363 Total Cost  
  - $8,827 REAP Grant  
  - $2,950 Electric Co-op Rebate  
- 50% savings on lighting bill  
  - $500 per month savings

**Flower & Gift Shop**  
- Energy efficient heating & cooling, insulation  
  - $34,509 Total Cost  
  - $8,627 REAP Grant  
  - $17,200 REAP Guarantee  
  - $8,682 Applicant Funds  
- 60% reduction in energy costs

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**Who is Eligible?**

- Agricultural Producer or Rural Small Business
- Own the Project
- Own or have control of project site
- No Fed Judgments, Delinquencies, Debarment

**Eligible Applicants**

- **Agricultural Producer**
  - Individual or entity that receives 50 percent or more of their gross income from agricultural production – crops, livestock, aquaculture, forestry operations, nurseries, dairies
- **Rural Small Business**
  - For-profit small business as defined by the Small Business Administration (SBA)
  - Rural area or non-metro community of < 50,000

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**Eligibility Criteria**

A. Purchase a Renewable Energy System or Make Energy Efficiency Improvements
B. Commercially Available Technology
C. Technical Merit (Determined by Tech Report)
D. Rural Area (Under 50,000 Population) - Business
E. Applicant = Owner, control of O&M, 3rd party can be used to manage
F. Site controlled by applicant for financing term
G. Revenue sufficient to cover O&M, management, debt service for the life of the project.

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**What Cost Are Eligible?**

1. Purchase and installation of new or refurbished equipment
2. Construction, Retrofitting, replacement and improvements in association with the RES or EEI project
3. EEI identified in an Energy Audit or Assessment
4. Permit and License Fees
5. Professional Service Fees, except for application prep

Eligible Project Cost are only those that have been incurred after a Complete Application has been received.
What Cost are NOT Eligible?

- Pre-application cost or improvements incurred
- Residential improvements
- Energy efficiency improvements related to new construction
- Vehicles or Agricultural tillage equipment
- Lease payments or federal debts
- Application Preparation or grant writer fees
- Applicant in-kind contributions
- Any with a Conflict of Interest or the appearance thereof

Environmental Review

- Environmental review process should be initiated as early as possible with RD office
- Complete Form RD 1940-20, Request for Environmental Information
- This process can be started even before the application is submitted.
- Contact your local office at:
  or State Energy Coordinator to begin the process.

REAP Grant Assistance

Up to 25% of Eligible Project Costs

<table>
<thead>
<tr>
<th>Renewable Energy Systems</th>
<th>Energy Efficiency Improvements</th>
</tr>
</thead>
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<tr>
<td>Minimum Grant Request</td>
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<tr>
<td>$2,500</td>
<td>$1,500</td>
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<tr>
<td>Total eligible project costs ≤ $10,000</td>
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<tr>
<td>Maximum Grant Request</td>
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<tr>
<td>$500,000</td>
<td>$250,000</td>
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<td>Total eligible project costs ≤ $1 million</td>
</tr>
</tbody>
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Application Submittal

- Applications can be submitted at any time
- Competition dates contained in regulation
  - No longer dependent upon annual notice
  - Allows public the ability to plan
  - Allows Agency the ability to plan
- Annual funding amount posted on website

Rural Development’s Guaranteed Loan Programs

- Backing the Business of Rural America

- **LOAN SIZE**
  - Minimum Loan Amount: $5,000
  - Maximum Loan Amount: $25,000,000 (Up to 75% of project cost)

- **GUARANTEE**
  - 85% for loans $600,000 or less.
  - 80% for loans over $600,000 up to $5 Million
  - 70% for loans over $5 Million up to $10 Million
  - 60% for loans over $10 Million
**OTHER FUNDS REQUIRED**
- 25% of project costs (cash equity)

**INTEREST RATE**
- Fixed or Variable; if variable cannot adjust more than quarterly
- Negotiated between lender and borrower

**MAXIMUM TERM LIMITS**
- Working Capital – 7 Years
- Machinery & Equipment – 15 Years (or useful life, which ever is less)
- Real Estate – 30 Years

**FEES**
- One-time guarantee fee of 1%
- 1/2% annual renewal fee

**COLLATERAL**
- Must be sufficient collateral
- Appraised Collateral discounted consistent with typical discount factors.
- Typical Discount Factors:
  - Real Estate – 80%
  - M&E – 70 to 75%
  - Inventory & A/R – 60%

**B&I/REAP Differences/Opportunities**

- **Guarantee Percentage**
  - REAP allows for an 85% Guarantee on loans $600,000 or less

- **Equity**
  - B&I has tangible balance sheet equity requirement
    - 10% of existing business
    - 25% for start up
    - 25-40% for energy projects
  - REAP requires that 25% project costs are other funds and could include:
    - Equity injections
    - Other borrowed funds (including a B&I loan)

- **Fees**
  - 1% (REAP) vs. 3% Guarantee Fee
  - 0.25% (REAP) vs. 0.50% Annual Renewal Fee

**WHAT CAN IT DO FOR THE BANK**
- Mitigate Risk
  - Guarantee is a “loss” guarantee
- Increase Capital and Improve Bank Liquidity
  - Sale of Loan Note Guarantee on Secondary Market
- Help satisfy Community Reinvestment Act requirements
- Limit financial exposure – Guaranteed portion doesn’t count against lending limits
- Increase Bank Returns
  - Receive servicing fee from Secondary holder

**WHAT IT CAN DO FOR BORROWERS**
- Assists in providing stability and growth through energy efficient improvements and renewable energy utilization.
- Provides the ability to receive:
  - Higher Loan Amounts
  - Competitive Interest Rates
  - Longer Repayment Terms
How to Apply

- Contact the local RD Office for application materials and resources:
- Application materials will also be available at this website: http://www.rd.usda.gov/REAP
- Submit applications any time of year.
- Applications compete for funding throughout the year based on a scoring process.

Grain Dryer – Union City Area

Newman Farms (poultry)
49.6 kW Solar

GroWild Nursery
25.38 kW Solar

Naifeh’s Food Rite
Coolers’ Doors Improvement
Energy Efficient Improvement Grant

Volunteer Energy
LED Lightning
Energy Efficient Improvement Grant

Other Assistance Provided by
Rural Development through its Business Programs

- Business and Industry Guaranteed Loans (B&I)
- Intermediary Relending Program (IRP)
- Rural Business Development Grant (RBDG)
- Rural Economic Development Loan (REDLG)
- Value Added Producer Grant (VAPG)
- Rural Cooperative Development Grant (RCDG)
- Small Socially Disadvantaged Producer Grant (SSDPG)