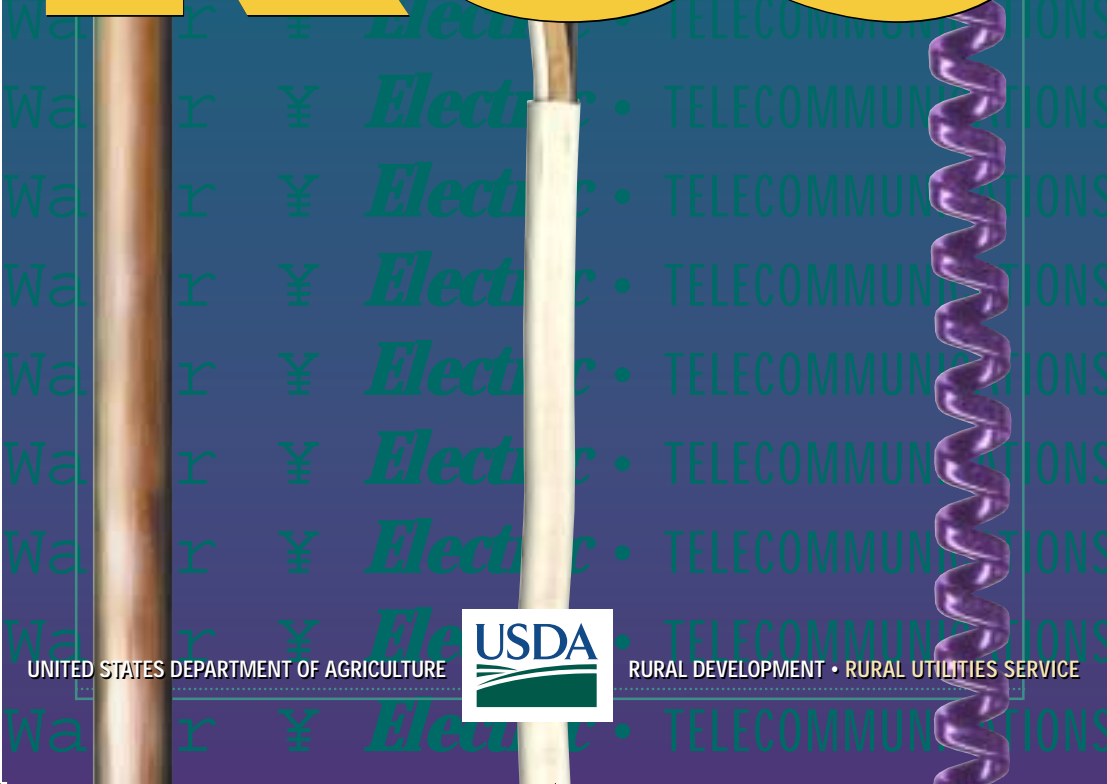


RURAL UTILITIES SERVICE



Connecting Rural America

RUS



UNITED STATES DEPARTMENT OF AGRICULTURE



RURAL DEVELOPMENT • RURAL UTILITIES SERVICE



USDA RURAL UTILITIES SERVICE

Connecting Rural America

Electricity, telephone, water, and waste disposal services have been taken for granted in American cities since at least the 1920s. But if you lived in a rural area only 60 years ago, chances are you went without these necessities of modern life and the high standard of living they make possible.

Modern utilities came to rural America through some of the most successful government initiatives in American history, carried out through the U.S.

Department of Agriculture (USDA) working with rural cooperatives, nonprofit associations, public bodies, and for-profit utilities. Today, USDA Rural Development carries on this tradition, helping rural utilities expand and keep their technology up to date, and helping establish new and vital services such as distance learning and telemedicine. This work is carried out through the Rural Utilities Service (RUS), an agency of USDA Rural Development.

Electric Programs

Through RUS Electric Programs, USDA Rural Development issues and guarantees loans to rural electric co-ops and other eligible utilities to build and modernize their systems. USDA helps nearly 750 electric systems around the country finance safe, modern, and efficient infrastructure.

Congress established the forerunner of RUS electric programs, the Rural Electrification Administration (REA), in 1936. Since then, RUS has approved approximately \$57 billion in debt financing to establish and support electric generation, transmission, and distribution systems in rural areas. Of these rural systems, about 96 percent are nonprofit cooperatives owned and operated by the consumers they serve. The remaining 4 percent include municipal systems, Native American tribal utilities, and investor-owned utilities. RUS-financed electrical systems provide



service to more than 90 percent of the Nation's counties identified by the Economic Research Service (ERS) as suffering from persistent poverty, out-migration, or other economic hardship.

Through RUS, USDA Rural Development also offers technological services to borrowers and others on matters relating to the design, construction, operation, and maintenance of rural electric distribution and transmission lines, and the materials used in their construction. Included with this service is the development and maintenance of USDA distribution and transmission standards and specifications for materials and line designs used by USDA borrowers and many other utilities all over the world. This technical expertise and use of USDA/RUS standards have provided rural Americans the most efficient and affordable way to have electricity in their businesses and homes, significantly improving their quality of life. ●

USDA Financial Programs for Rural Electric Utilities

► **Guaranteed Loan Program**

Under the Guaranteed Loan Program, USDA guarantees repayment of 100 percent of loans made by other lenders for building electric generation plants and transmission and distribution systems. USDA guarantees loans provided by the Federal Financing Bank (FFB), an instrument of the Treasury Department, the National Rural Utilities Cooperative Finance Corporation (CFC), and the National Bank for Cooperatives (CoBank).

FFB-funded loans are available to all eligible RUS electric borrowers, at an interest rate of the prevailing cost of money to the U.S. Treasury, plus one-eighth of 1 percent.

► **Insured Loan Program**

Insured or Municipal Rate Loans, made directly by USDA, are primarily used to finance the construction of electric distribution and subtransmission facilities. The interest rate for these loans is based on interest rates available in the municipal bond market for similar maturities. Loans at Treasury rates of interest are also available. Borrowers often supplement this financing with private capital.

► **Hardship Loans**

Hardship Loans are made directly by USDA to finance electric distribution and subtransmission facilities. These loans are made to applicants that meet rate disparity thresholds and whose consumers fall below average per capita and household income thresholds. In special cases, hardship loans may also be made if it is determined that the borrower has suffered a severe, unavoidable hardship, such as a natural disaster. The hardship loan interest rate is fixed at 5 percent.

Telecommunications Programs



Building and maintaining modern telecommunications infrastructure are critical to supporting rural economic development. New communications services, such as the Internet, require high-quality switching equipment and transmission lines. USDA/RUS telecommunications program borrowers today provide phone service to nearly all their customers over state-of-the-art, digitally switched networks.

USDA telecommunications programs and the Rural Telephone Bank (RTB) make loans to finance the improvement, expansion, construction, or acquisition of telecommunications facilities in

rural areas. This assistance is available to commercial or nonprofit corporations that provide, or propose to provide, telecommunications services to rural customers. The RTB is a public/private financial institution that lends concurrently with the RUS.

Cost-of-Money and Rural Telephone Bank Loans

These loans bear interest at or near the current “cost of money” to the federal government rate for comparable maturities, or “Treasury rate.” RTB borrowers also participate in the ownership of the bank.

Guaranteed Loans

Guaranteed Loans bear interest at a rate agreed upon by the borrower and the lender. USDA Rural Development provides a 100 percent guarantee. The Federal Financing Bank (FFB) may provide the loan that USDA guarantees. FFB loans bear interest at the Treasury rate for comparable maturities plus one-eighth of 1 percent. FFB loan/RUS guarantees carry a wide array of maturity periods.

Hardship Loans

Hardship Loans bear interest rates of 5 percent per year and are intended for: borrowers with high investments in telecommunications plant per subscriber and per mile of cable; and borrowers who cannot afford higher interest loans. ●

Distance Learning and Telemedicine Program

▶ Until recently, physicians had to be in the same rooms as their patients to diagnose and treat them, but no longer. New computer and telecommunications technologies now mean that a physician no longer has to be physically present to examine, diagnose, and supervise treatment.

Using remote monitoring and telemetry, coupled with superfast data transmission over state-of-the-art networks, clinics and health care centers staffed with nurses and technicians can offer patients instant access to physicians. Family practitioners can bring in specialists for consultation—even if those specialists are hundreds or thousands of miles away—without any travel involved. With the help of

a trained nurse or technician, the physician can do anything from conversing with the patient, to making visual examinations, to running complicated tests—all in real time!

Rural students also benefit from new telecommunications technology. Distance learning projects provide funding for computers and Internet hookups in schools and libraries and promote confidence in, and understanding of, the World Wide Web and its benefits to students and young entrepreneurs. Now, students living in sparsely populated areas can obtain the same quality of education previously offered to suburban and urban areas.

Through its Distance Learning and Telemedicine (DLT) program, RUS offers rural communities help in developing facilities to make these exciting new services accessible. Financial assistance is available as loans, grants, and loan/grant combinations.



Water and Environmental Programs

When it comes to providing water, sewage, and waste disposal services, small rural communities often face big disadvantages. Small populations and lower average incomes typically mean low tax revenues and limited borrowing capacity. In addition, small isolated communities are unable to take advantage of the economies of scale available to larger cities.

As a result, many rural communities have no water and sewer service and use individual wells and septic tanks instead. Others have aging systems or have outgrown their facilities. The result can be environmental and health problems resulting from contamination of groundwater, streams, lakes, and rivers. In addition, inability to offer adequate infrastructure can hinder the capacity of rural areas to become, or remain, economically healthy.

USDA Rural Development can help. Under its Water and Environmental Programs (WEP), RUS makes and guarantees loans to install, expand, and improve water and wastewater systems, including solid waste disposal and storm drainage, in rural areas and to cities and towns with 10,000 or fewer residents. Grant assistance is also available when needed to reduce user costs to a reasonable level.

Direct Loans and Grants

These loans and grants are made to develop water and wastewater systems, including storm drainage and solid waste disposal facilities, in rural areas and eligible cities and towns. Funds are available to eligible public entities such as municipalities, counties, special purpose districts, and Indian tribes. Corporations



operated on a not-for-profit basis may also be eligible. Priority is given to public entities in areas with fewer than 5,500 people to restore deteriorating water supplies or modify inadequate water or waste facilities. Preference is given to requests that involve the merging of small facilities, those serving low-income communities, and those that will help to alleviate health or sanitary problems.

To be eligible, applicants must be unable to obtain funding from other sources at reasonable rates and terms. The maximum term for all loans is 40 years; however, no repayment period may exceed state statutes or the useful life of the facility. Three interest rates are available, depending on the nature of the project and the income level of the area to be served.

Guaranteed Loans

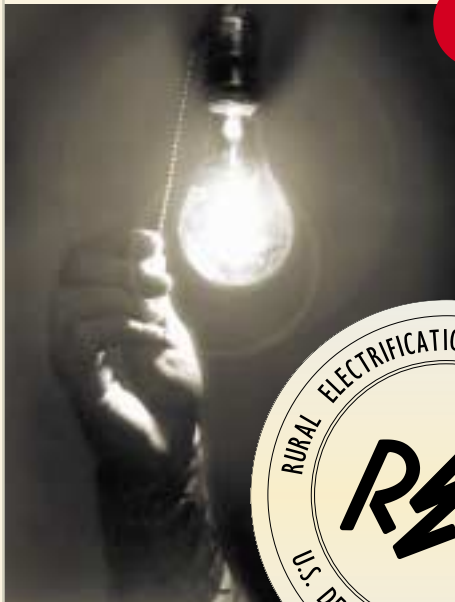
Guaranteed Water and Waste Disposal Loans are available for the same purposes as direct loans. They are made and serviced by commercial lenders, such as banks, and partially guaranteed against loss by USDA. Normally, Rural Development guarantees 90 percent of any eligible loss incurred by the lender.

Other Assistance

In addition to loans and grants, USDA offers technical assistance, both directly and through contractors, and grants to nonprofit organizations. Grants are provided for help in finding solutions to water and waste disposal problems, improving the operation of existing facilities, and preparing applications for RUS program assistance. RUS can also provide technical help on day-to-day operational, financial, and management issues. These funds are available to public entities, Indian tribes, and nonprofit corporations. ●



Serving the Needs of Rural America Since 1935



The RUS electric program carries on a long and proud tradition. In 1935, the Rural Electrification Administration (REA) was created by executive order to bring electric power to rural America. The advent of rural electric service made possible by REA transformed the lives of farm and ranch families across the Nation.

Electricity removed the back-breaking drudgery from everything from washing clothes to filling silos and corn cribs. Electricity



helped farmers milk cows, kept the milk fresh until it could be marketed, and illuminated their barns and houses. It brought communication with the outside world through radio and, later, television. It eliminated the old-fashioned, labor-intensive wood stove, which needed constant monitoring and feeding and produced vast quantities of ashes to be disposed of. In short, electricity brought farms into the 20th century.

Today, electronic commerce and new renewable technologies are once again creating new opportunities for economic development in rural areas. But to take advantage of these opportunities, rural America needs reliable supplies of electricity more than ever. ●

Utility cooperatives do more than just provide utility services. Because they are owned by their customers, they have an important interest in improving their communities' economic health and encouraging development.

These co-ops contribute to their communities in a variety of ways. They use their information and advocacy resources to lead fund-raising efforts for community services, such as fire departments, schools, and recreation facilities. Some co-ops provide business training to local teachers and stu-

dents or make donations of equipment to local school districts. Many utility co-ops provide vital help to efforts to attract new business and jobs to the areas they serve through public relations initiatives, the upgrading of general infrastructure, and the establishment of favorable utility rates.

Through its economic development grant and loan programs, USDA Rural Development can provide utility co-ops the means to leverage their resources through loans and revolving loan funds. Loans made by co-ops or their subsidiaries are used to finance start-up businesses or business expansion to provide vital services and jobs for local workers. Examples include a print shop in Missouri and the expansion of a plant making steel holding tanks in Kansas.

Following are a few examples of utility co-ops that are helping to boost rural communities:

➤ In North Carolina, Energy United co-op is building a 100,000-square-foot building in Lexington to house new and expanding industries. Meanwhile, in the western part of the state, Rutherford Electric Membership Corporation (REMC), along with the North Carolina Membership Corporation, issued an Economic Development Grant to assist in the construction of a \$7.5 million Gold Medal Homes plant in Gaston County. This facility, located on a 121-acre site, will produce 40 new homes per week

Utility Co-ops Play Expanding Role in Rural Development



Matthew Grant (left), president of Roanoke (N.C.) Electric Co-op, works closely with customers such as Gene Bennett, owner of Bennett Farms.

with 450-500 jobs. Recently, REMC committed to a no-interest, 5-year loan to assist Sentrol Controls Group with its new facility being built in Lincoln County, which

will create about 100 new jobs. North Carolina's electric cooperatives have also awarded close to \$1.5 million to underwrite nearly 1,800 instructional projects benefitting more than 500,000 students.

➤ Sac Osage Electric Cooperative Inc. in El Dorado Springs, Mo., recently launched an economic development revolving loan fund with the help of USDA's Rural Economic Development Grant Program. The initial loan of \$400,000 was made at a zero-percent interest rate to Cedar County Memorial Hospital to renovate the existing emergency department trauma area and to add or enlarge exam rooms, waiting areas, a communication room, and a drive-through receiving area for ambulances.

➤ Rich Mountain Electric Cooperative Inc. (RMEC), in the city of Mena, Ark., donated \$10,000 to the Industrial Development Committee of the Mena-Polk County Chamber of Commerce to support the purchase of a 40-acre industrial site. A three-phase line was extended to the area and a plastics manufacturer, employing 30 people, moved into the site. RMEC also has extended three-phase feeder circuits to strategic areas surrounding the Mena Intermountain Municipal Airport to serve planned airport commercial and industrial expansion. ●

New Initiatives

► To help meet the special challenges of serving rural areas and to ensure that new technologies are extended there, RUS is engaged in a number of special initiatives that will help ensure that all rural communities benefit from reliable, modern utility services. Following are a few examples:

Renewable Energy Development

As the world's appetite for energy increases, the supply of petroleum and fossil fuels is rapidly decreasing. Through RUS programs, USDA Rural Development is committed to promoting the development and use of renewable sources of energy. RUS is supporting a number of wind and solar power projects that have great potential to provide clean, nonpolluting energy at an economical cost. As the technology revolution continues, these types of energy will become increasingly viable.

Service for Alaska and Remote Rural Areas

Providing infrastructure for water, electricity, and telecommunications service to rural communities in Alaska and other remote areas is a major challenge. In spite of the hurdles posed by remote geographic locations and extreme weather conditions in the far North, RUS is forging partnerships with other federal agencies to improve the quality of life in Alaska and other remote areas.

Expanding the All Hazard Warning Network

Many areas of rural America are vulnerable to natural disasters, such as tornadoes, floods, and hurricanes. USDA Rural Development is working in partnerships with public and private entities to provide better early warnings of potential disasters. USDA has asked its rural utility clients to

provide free space on existing rural electric and telephone towers for National Oceanic and Atmospheric Administration Weather Radio transmitters — the simplest and most efficient way to warn people about impending hazards.

Broadband Telecommunications Service

The Broadband Telecommunications program is a new effort to encourage the construction and installation of broadband telecommunications services in rural America. A one-year pilot program makes available \$100 million in Treasury rate loan funds to encourage telecommunications carriers to provide broadband service to rural consumers where such service does not currently exist. Loans will be made on an expedited basis to communities of up to 20,000 inhabitants. Loan applications will be processed on a first-come, first-served basis throughout FY 2001. ●

We're Here To Help

In addition to utility programs, USDA Rural Development encompasses programs through the Rural Housing Service that help meet rural America's needs for affordable housing and essential community facilities. Through the Rural Business-Cooperative Service, USDA provides financing, technical support, and information products that help start and expand businesses and cooperatives in rural areas. These programs

are all designed to help your rural community grow and prosper. USDA Rural Development staff are ready to provide you with all the information and assistance you need to take advantage of its various programs.

Contact your USDA Rural Development state office for further information. To be connected, call (202) 720-4323, press 1, and follow the directions. Or visit our website at www.rurdev.usda.gov.

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