

RD AN No. 4392 (4280-A)  
September 29, 2008

TO: State Directors, Rural Development  
ATTN: Business Programs Directors  
SUBJECT: Rural Economic Development Loan and Grant Program  
Authority for State Offices

PURPOSE:

Authority to manage the Rural Economic Development Loan and Grant (REDLG) Program was transferred to the Rural Development State Offices. This Administrative Notice (AN) updates the State Office responsibilities outlined in prior annual delegation memoranda.

COMPARISON WITH PREVIOUS AN:

No previous AN on this specific subject has been issued. However, unnumbered letters regarding subject have been issued in the past with the latest being issued on January 9, 2002, which expired January 31, 2003.

IMPLEMENTATION RESPONSIBILITIES:

**Pre-Award Activities:**

1. The State Office will receive REDLG applications, ensure their completeness, and process them to the point of approval for submission to the National Office to participate in the quarterly selection competition cycle.
2. The State Office will be responsible for the civil rights and environmental reviews for each application/project in accordance with RD Instruction 1901-E and 1940-G, respectively. These reviews must be concluded on all applications **prior** to submission to the National Office.

EXPIRATION DATE:  
October 31, 2009

FILING INSTRUCTIONS:  
RD Instruction 4280-A

3. Selection for funding will occur quarterly; please refer to RD Instruction 1940-L, for specific filing date deadlines. Selection for funding is competitive.
4. The State Office will evaluate and score the application(s) using the information provided in accordance with RD Instruction 4280-A, section 4280.39(b)(2). The State Office will recommend selection for funding through submission of the score sheet to the National Office. Scores must be based on written documentation and analysis. Score sheets will be reviewed in the National Office, and scoring will be adjusted if appropriate. State Offices will be notified of any changes in scores.
5. Following the selection of applications for funding, the National Office will provide written notification of selection to the State Director. State Offices will take the appropriate action to obligate funds using the Guaranteed Loan System (GLS). The State Office will contemporaneously prepare Form RD 1940-1, "Request for Obligation of Funds," for each project. The State Office is responsible for providing the Intermediary with written notification regarding the funding decision. A sample notification letter is included in RD Instruction 4280-A, Guide 7. The State Office will notify the non-selected applicants accordingly.
6. In accordance with Section 728 of the Consolidated Appropriations Act of 2008, eligible organizations include: any former Rural Utilities Service borrower that has repaid or prepaid an insured, direct, or guaranteed loan under the Rural Electrification Act (Act); or any not-for-profit utility that is eligible to receive an insured or direct loan under such Act. In addition, any borrower under the Act is eligible. State Offices should continue to direct questions regarding the eligibility of an organization to their general field representative (GFR).

**Post-Award Activities:**

1. In accordance with RD Instruction 4280-A, section 4280.48, the State Office will prepare the applicable loan and grant documents within 45 days following selection for funding. The Regional Attorney's review of the loan and grant documents is required prior to execution by the State Director. If the State Director and the Office of General Counsel (OGC) agree, standardized loan and grant legal documents may be approved by OGC and completed thereafter without further OGC review.
2. The State Office will review draft, third-party documents between the Intermediary and its ultimate recipient and prepare a written response to the Intermediary. At the discretion of the State Director, third-party documents may be submitted to the Regional Attorney for review prior to approval. It is the responsibility of the State Director to ensure adequate documentation review to ensure compliance with REDLG policy.

3. The State Office will review and approve all documentation required by the Letter of Agreement prior to advancing loan or grant funds.
4. For grants, State Directors will review and approve the plans submitted by the borrower. The State Office will ensure that, prior to the disbursement of grant funds, the State Office has obtained a certified resolution from the board of directors showing adoption by the Intermediary of the Business and Cooperative Programs approved Rural Development plan. The State Office will ensure that all applicable requirements of 7 CFR 3015 and 3019, are met. Additionally, State Offices can reference RD Instruction 4280-A, Guide 12, “Checklist for Release of Grant Funds.”
5. In accordance with RD Instruction 4280-A, section 4280.50(d), the State Office will provide a copy of the Intermediary’s executed Promissory Note to the Finance Office. Please address the copy to: Finance Office, Direct Loan and Grant Branch, Rural Utilities Service, Loan Servicing Team, FC 340. The Promissory Note should be marked with the “REDLG” loan number in the top right corner and the Rural Utilities Service borrower ID number in the top left corner. Additionally, State Offices can reference RD Instruction 4280-A, Guide 10, “Checklist for Release of Loan Funds.”
6. For obligation purposes, as listed in RD Instruction 4280-A, section 4280.48(f), the fund codes (FC) and type of assistance (TOA) codes assigned for REDLG electric and telephone loans and grants are as follows:

	<b>LOANS</b>		<b>GRANTS</b>	
	Fund Code	TOA	Fund Code	TOA
Electric	58	227	00	229
Telephone	59	228	00	230

**Servicing Activities:**

1. In accordance with RD Instruction 1901-A, Exhibit B, the State Director is delegated all loan and grant servicing authorities except in cases where a loss is likely or a transfer and assumption of the loan or grant funds is proposed. In such cases, National Office concurrence is required.
2. As part of its routine servicing responsibilities, the State Office will conduct a monthly review of each Intermediary’s loan payment status as listed in the monthly delinquency report provided by the Finance Office. State Offices are responsible for working with Intermediaries to resolve any outstanding delinquent accounts. State Offices are also responsible for working with Intermediaries to ensure that all loan payments are made

electronically using the Automated Clearing House – Customer Initiated Payment (ACH-CIP) system, in accordance with RD Instruction 4280-A, section 4280.53.

3. In accordance with RD Instruction 4280-A, section 4280.55(d), for loans and grants, the State Office will conduct project site reviews within 1 year following the completion of the project. Further, for those Intermediaries operating revolving loan fund programs, State Office staff will conduct site reviews of the Intermediary every 3 years following the initial review to verify that the Intermediary is operating the revolving loan fund in accordance with the regulation, the grant agreement, and any other conditions imposed by Rural Development.
4. Upon award of a loan and/or grant, all applicable GLS data fields for the application will be updated, specifically: the amount and obligation date, ultimate recipient information, total project costs, approved purposes, projected job creation or retention, and leveraged dollar amounts. As the ultimate recipient project is completed and a site review is performed in accordance with RD Instruction 4280-A, section 4280.55(d), the State Office will update project data contained in GLS. The State Office is responsible for ensuring accuracy and consistency of all GLS data.
5. Civil rights compliance reviews of active Intermediaries will be conducted by the Rural Utilities Service GFR. Copies of civil rights compliance review findings will, periodically, be provided to the State Office by the GFRs for review and filing in REDLG project files. The State Office will be responsible for conducting the civil rights compliance reviews of those Intermediaries that have satisfied their indebtedness to Rural Utilities Service and are no longer affiliated with Rural Utilities Service. Civil rights compliance reviews will be conducted in accordance with RD Instruction 1901-E, section 1901.204(b)(1) or (2).
6. The Rural Utilities Service accounting staff will provide notification of findings concerning REDLG projects as a result of the annual Rural Utilities Service review of the Certified Public Accountant (CPA) audits to the State Office. For those utilities that have satisfied their indebtedness to Rural Utilities Service but have outstanding REDLG loans and grants, it is the responsibility of the State Office to ensure that the utility provides them with a copy of its annual CPA audit. The State Office is to review the audit and take appropriate action(s) concerning issues raised by the auditor.
7. The State Director has the authority to de-obligate or cancel loans or grants, in whole or in part, in accordance with delegated authorities established in RD Instruction 1901-A. The State Office will process de-obligation(s) or cancellation(s) using GLS Transaction Code 1D. A copy of a signed Form RD 1940-10, "Cancellation of U.S. Treasury Check and/or Obligation," is to be sent under cover letter to the Finance Office, Direct Loan and Grant Branch, FC 340, and to the Business and Cooperative Programs, Business and Industry Division, Servicing Branch, STOP 3224.

In accordance with RD Instruction 1901-A, section 1901.4(c), State Directors may assign or delegate the responsibilities set forth in this AN in any manner that will be most effective for REDLG program delivery within the State.

If you have additional questions regarding the processing of REDLG applications, please contact the Specialty Lenders Division, Processing Branch, at (202) 720-1400. If you have additional questions regarding the servicing of REDLG applications, please contact the Business and Industry Division, Servicing Branch, at (202) 690-4103.

(Signed by Ben Anderson)

BEN ANDERSON  
Administrator  
Business and Cooperative Programs