



Rural Broadband Access Loan and Loan Guarantee Program

Rural Development
1400 Independence Ave.
Washington, DC 20250
www.usda.gov/rus/

Presenter:
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Broadband Grants... *Community Connect*

What is Community Connect?

A nationally competitive grant program to provide broadband service on a “community-oriented connectivity” basis to:

The most rural and economically challenged communities.



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Broadband Grants... *Community Connect*

Eligible Applicant:

- Incorporated organization
- Limited Liability Company
- Indian Tribe or Tribal organization
- State or Local unit of government
- Cooperatives



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Broadband Grants... *Community Connect*

Eligibility Requirements:

- No existing broadband service.
- Small community recognized by the census (pop. < 20,000).
- Free broadband service to critical facilities.
 - Schools, libraries, educational centers, healthcare providers, law enforcement agencies, and public safety organizations.



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Broadband Grants... *Community Connect*

Eligibility Requirements:

- Offer residential and business service.
- Provide a community center for 2 years with at least 10 computer access points.



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Broadband Grants... *Community Connect*

Community Connect Grant Program:

- *Application window to be announced...*
- *Visit the web for more information:*

www.usda.gov/rus/telecom/commconnect.htm



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Purpose of the Broadband Loan Program

To provide loans for the cost of construction, improvement, and acquisition of facilities and equipment for broadband services in eligible rural communities.

Broadband Loan Program: FY2006 Budget

- @ 4% Funding: \$64 Million is available
- @ Treasury Rate Funding: \$1.085 Billion

Program Statistics

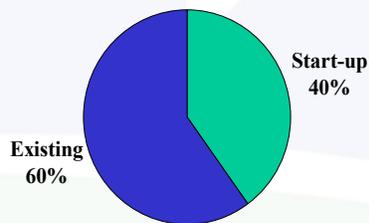
156 Applications Received in 3 years,
requesting \$2,326,000,000

Applications Processed as of January 17, 2006

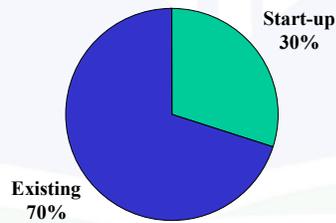
52 Approved	\$824,000,000
8 In Review	\$162,000,000
96 Returned	\$1,340,000,000

Program Statistics – Type of Entity

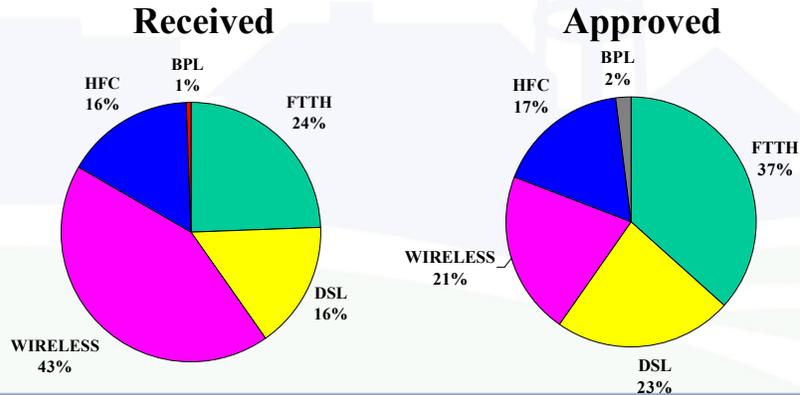
Received



Approved



Program Statistics – Technologies



Program Statistics – Why some are returned!

- Insufficient credit support
- Insufficient market survey
- Technology does not meet requirements
- Cannot meet minimum financial requirements
- Incomplete application

Eligible Rural Community

Eligible rural community means any incorporated or unincorporated place in the United States, its territories and insular possessions (including any area within the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau) that has no more than 20,000 inhabitants, based on the most recent available population statistics from the Bureau of the Census – <http://www.census.gov>

Broadband Service

- Must enable a subscriber to transmit and receive at > 200 Kb/s; and
- Must provide data transmission service and may provide voice, graphics, and video.

Applicant Eligibility

A legally organized entity providing or proposing to provide service to an eligible rural community that has sufficient authority to enter into a contract with Rural Development, Utilities Programs (RDUP), and can carry out the purposes of the loan.

Who is not Eligible?

- Individuals
- Partnerships (including LLPs)
- Any entity serving more than 2% of the telephone subscriber lines installed in the United States

Ineligible Purposes (2)

- Broadband facilities leased under an operating lease:
 - *e.g.*, tower leases, building leases, land leases.
- Operating expenses
 - *e.g.*, salaries, marketing, legal.
- Mergers or consolidations

Types of Loans

- Direct Cost-of-Money Loans
- Direct 4% Loans
- Private Lender Guarantees

Direct Cost-of-Money Loans

Bear interest at the cost of money to the Treasury for comparable maturities.

The interest rate is set at the time of each advance of funds

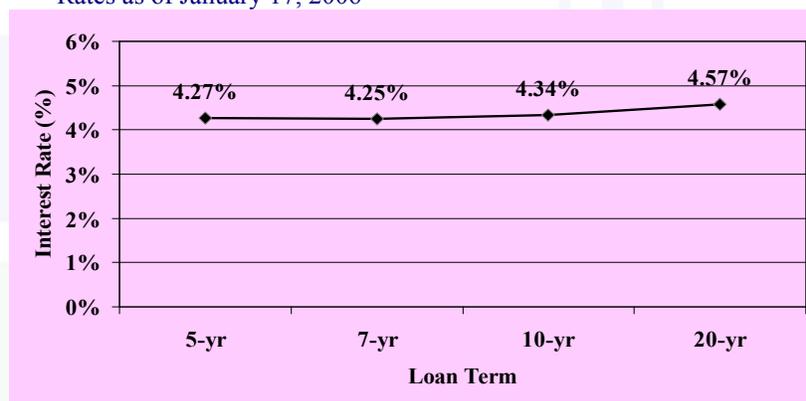
The current rates can be found at:

<http://www.federalreserve.gov/releases/h15/update>



Direct Cost-of-Money Rates

Rates as of January 17, 2006



Direct 4% Loans

- To be eligible for this loan, the applicant must be proposing to serve a community that:
 - Does not have any broadband service;
 - Has a population of 2,500 or less;
 - Located in a county with a per capita personal income that is less than or equal to 65% of the national per capita income; and
 - Has a service area with a maximum population density of 20 persons per square mile.

Direct 4% Loans

- Loan Amount is limited to \$7.5 million
- Can be made simultaneously with Direct Cost-of-Money loans

Loan Guarantees

- This bears interest at a rate set by the lender;
 - The interest rate must be fixed, and the same for the guaranteed and un-guaranteed portion of the loan.
- Government guarantee is made for no more than 80 percent of the amount of principal

Loan Terms (1)

- Loans are made for a term equal to the expected useful service life of the facilities financed.
- Funds are advanced as needed.
- Interest is payable monthly on funds advanced.
- Principal payments are deferred for 1 year from the date of the first advance

Loan Terms (2)

- The minimum amount of a loan that RDUP will consider is \$100,000
- Maximum loan amounts apply only to the direct 4% loans (\$7.5 Million)
- The minimum TIER is 1.25 at the end of the 5th year of the feasibility study

Loan Terms

TIER means Times Interest Earned Ratio.

$$\text{TIER} = \frac{\text{Net Income} + \text{Interest Expense}}{\text{Interest Expense}}$$

For the purpose of this calculation, all amounts will be annual figures and interest expense will include only interest on debt with a maturity greater than one year.

Loan Terms

- Rural Development generally requires a first lien on the borrower's assets
 - Will share the first lien position (pari passu) with another lender on a pro rata basis
 - Will develop security arrangements if bond financing is involved in the project

Application Information

The regulation, application, application guide, and all other relevant information including the latest approved and pending community list is available on our website at:

www.usda.gov/rus/telecom/broadband.htm

Application Submission

- Prospective applicants should contact their respective General Field Representative (GFR) prior to submitting the application
 - List of the GFRs and the contact information is included in Application Guide
- There is no deadline to submit applications
- Applications will be reviewed and processed on a first-come, first-served basis

Key Components of an Application

- Credit Support
 - Business Plan
 - Market Survey
 - Financial Information
 - System Design

Credit Support

THE NUMBER ONE REASON
APPLICATIONS ARE
RETURNED!

Credit Support

7 CFR 1738.20

- Minimum of 20% of the requested loan amount, including:
 - Cash for one full year operating expense, and
 - Net plant, cash, or letter of credit.

Cash Requirement

- Defined as sufficient cash to cover one full year of operating expenses; but
 - For telecommunication companies with positive cash flow for the two previous years, this requirement can be waived.

CONTACT INFORMATION

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