

UNITED STATES DEPARTMENT OF AGRICULTURE-RURAL DEVELOPMENT WATER AND ENVIRONMENTAL PROGRAMS (WEP) **EXHIBIT H.3**

Purpose

USDA Rural Development (RD) makes Direct Loans and Grants to build or improve essential public use facilities such as water and sewer facilities, storm sewers and solid waste facilities. Funds can be used for construction and non-construction costs including land, equipment, engineering services, legal services, and interest during construction.

Eligibility

Funding may be obtained through Rural Development when the applicant is unable to secure funding from other sources at reasonable rates and terms.

Eligible applicants include non-profit corporations, cities, towns, counties, other public bodies such as: special purpose districts and authorities. For the Direct Loan and Grant Program projects may only benefit incorporated communities of up to 10,000 population and rural unincorporated areas.

The applicant must have the legal capacity to borrow and repay loans, to pledge security for loans and to operate and maintain the facilities. The applicant must be financially sound and able to manage the facility effectively as well as have a financially sound facility based upon satisfactory sources of income such as: revenues, taxes, assessments, or fees to pay all operating costs, debt service payments and reserves.

Direct Loan - Rates and Terms

The amount loaned is determined by the amount needed by the applicant, their ability to repay the loan and the availability of funds. Direct Loan interest rates are based upon the median household income of the service area and the purpose of the project. Interest rates as of April 1, 2023 are: **Poverty – 2.25%, Intermediate – 3.00% and Market – 3.75%**. Once a project is approved and obligated the interest rate is fixed and there are no prepayment penalties. The loan term is 40 years.

Direct Grant

Grant funding is available, when eligible and needed, and is used to supplement RD loans to reduce debt service requirements where necessary to achieve reasonable similar system user rates. Grant eligibility is also based on the available resources of the applicant, as well as the underwriting analysis and the availability of funds. Areas with median household incomes above \$40,956 are not grant eligible. The maximum RD grant possible is 75% of eligible project costs where the median household income of the project service area is below \$32,765 and the project is necessary to alleviate a health or sanitary problem, or 45% of eligible project costs where the median household income is \$40,956 or less.

Note: Rural Development WEP information, Regulations, Bulletins and Forms can be accessed at <https://www.rd.usda.gov/programs-services/water-waste-disposal-loan-grant-program> and some forms are also available in a fillable format through the USDA eForms link at www.rd.usda.gov and information about Rural Development Programs in Arkansas can be found at <http://www.rd.usda.gov/ar>

Engineering and Environmental Requirements

The applicant must utilize the services of an engineer and an attorney to provide necessary engineering and legal services. A Preliminary Engineering Report (PER) and an Environmental Report (ER) must be submitted in accordance with the RD Guides for the proposed project.

Priority

Priority is given to low income communities, communities with populations of less than 5,500 and for projects necessary to meet established health or sanitary standards.

Application – Applications are received year-round through RD's online application system - RD Apply: <https://www.rd.usda.gov/programs-services/rd-apply>

Contact

Information on the WEP program and how to apply may be obtained from one of the following RD Area Offices:

***Harrison** – Neal.Hodges@usda.gov

870-741-8600 Ext. 129

***Jonesboro** – Keith.Huskey@usda.gov

870-819-4587

***Forrest City** – Betty.Searcy@usda.gov, 870-581-4383 or

Flora.Pruitt@usda.gov, 870-581-4369

* **Monticello** – Michael.Mongomery3@usda.gov

870-224-7297

* **Hope** – Kelly.Honea@usda.gov

870-474-3275

* **Fort Smith** – Susan.Staggs@usda.gov

479-431-3253

*or contact the RD State Office in Little Rock:

Phone: (501) 301-3265

Alan.Johnson@usda.gov - Program Engineer

Vacant - Program Engineer/SEC

David.Kirchner@usda.gov - Program Specialist

Richard.Maurer@usda.gov -Program Specialist

Tim.Smith3@usda.gov - Acting Program Director