

# Kansas USDA Rural Development Leads Way in RD Apply



**W**hile attending the National Rural Water Conference in Reno, Nevada, September 18 to 20, the Kansas Rural Water Association learned that the state of Kansas leads the way in the USDA RD Apply application process. It was reported that Kansas had 46 applications in process with California next with 43. KRWA provides assistance to the agency with RD Apply. RD Apply is the recently-developed online application process used by USDA Rural Development for funding water, wastewater and community facilities.

On the afternoon of Tuesday, September 20, I was asked to assist USDA Rural Development with RD Apply eAuth registrations. I was pleased to assist the states of California and South Dakota Circuit Riders with their registrations. I had the pleasure of working with Christie McReynolds, Scott Barringer, Ryan Schneider and Jim Wehrer and Hal Nielson of the Washington, DC USDA Rural Development RD Apply team.

The USDA RD Apply online application process became active on September 28, 2015. The online application replaces the paper application packet that had been required with a loan and grant application to USDA Rural Development. The online application helps USDA move the application more quickly thru the application process, provides greater oversight by the agency and is appreciated by

applicants. As of September 18, 2017, 711 online applications have been submitted across the United States. There have been 275 new applications; 394 have been processed; 18 applications were submitted for review; and 22 needed additional information. RD Apply is not being fully utilized by all USDA state offices.

States leading the way with USDA RD Apply applications in 2017 are as follows:

- ◆ 46 Kansas
- ◆ 43 California
- ◆ 37 New York
- ◆ 37 Texas
- ◆ 31 Washington
- ◆ 28 North Carolina

As of September 18, 2017, USDA has obligated 227 RD Apply

applications requesting \$439 million in loan and \$133 million in grant funding.

The interest rates for USDA Rural Development continue to remain low. See the sidebar that explains how interest rates are set by USDA. The interest rates from October 1 to December 31, 2017 are as follows:

- ◆ Market: 3.500%
- ◆ Intermediate: 2.750%
- ◆ Poverty: 2.125%

USDA Rural Development loans have 40-year maturities however loans can be paid early without penalty. Grant eligibility is determined by the Median Household Income determined by the Census, and health or sanitary issues and rates in similar systems. USDA Rural Development offers funding for water, wastewater and community facilities.



**Rita Clary assists Tom Parnham, California Wastewater Specialist, with RD Apply eAuth registration.**

## Obligated and potential projects in Kansas

USDA Rural Development in Kansas funded 27 projects in FY17 (October 1, 2016 to September 30, 2017). Of those 27 projects, 21 are water and wastewater. The cities of Plains and Englewood were awarded funding through the agency's Emergency Community Water Assistance Grant (ECWAG). Four Special Evaluation Assistance for Rural Community and Households (SEARCH) Grants were awarded. These went to the cities of Humboldt, Overbrook, Turon and Hardtner. The total was \$85,500. A SEARCH grant is a grant from USDA Rural Development that pays for preparation of the Preliminary Engineering Report and the Environmental Review. Three systems received Pre-Development Planning Grants (PPG) with total funding of \$46,100. Recipients were Kiowa, Preston and Kanopolis. The difference between a PPG Grant and a SEARCH Grant is that the SEARCH grants are 100 percent grant and a PPG Grant is 75 percent grant.

As of October 1, 2017, USDA Rural Development has received 28 applications for FY18 (beginning October 1). These include 21 water systems and eight wastewater systems. SEARCH grants are pending for four systems. They are Effingham, Russell Co. RWD 3, LaCygne and Gridley.

## How Interest Rates Are Set by USDA Rural Development

Rural Utilities Instruction 1780 provides an explanation of how USDA Rural Development determines interest rates. The interest rates are set by the Agency for each quarter of the fiscal year. All rates are adjusted to the nearest 1/8th per centum. The rate will be the lower of the rate in effect at the time of loan approval or the rate in effect at the time of loan closing unless the applicant otherwise chooses. If the interest rate is to be that in effect at loan closing on a loan involving multiple advances of RUS funds using temporary debt instruments, the interest rate charged shall be that in effect on the date when the first temporary debt instrument is issued.

### ◆ Market Rate

The market interest rate is set using as guidance the average of the 20-month GO Bond Buyer Index for the four weeks prior to the first Friday of the last month before the beginning of the quarter. The Bond Index changed to the 20-month GO Bond to determine the Market Rate starting with October 1, 2017. The medium household income for the service area is based on Census data from the American Community Survey. USDA is presently using the 2006 -2010 five-year average.

### ◆ Intermediate Rate

The intermediate interest rate is set at 80 percent of the market rate. The intermediate interest rate will apply to loans that do not meet the requirements for the poverty rate and for which the median household income of the service area is not more than 100 percent of the non-metropolitan median household income of the State.

### ◆ Poverty Rate

The poverty interest rate is set at 60 percent of the market rate. All poverty rate loans must comply with the following conditions:

- (1) The primary purpose of the loan is to upgrade existing facilities or construct new facilities required to meet applicable health or sanitary standards; and
- (2) The median household income of the service area is below the higher of the poverty line, or 80 percent of the Statewide non-metropolitan median household income.

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