



# USDA Rural Development and COVID-19: Supplemental Funding and Agency Actions

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The U.S. Department of Agriculture (USDA) Rural Development agency (RD) administers loan, grant, and technical assistance programs that support infrastructure, housing, and business development in rural areas. In response to the COVID-19 pandemic, Congress provided supplemental funding to certain RD programs. In addition, RD has taken a number of actions to provide relief for current program participants and assist potential applicants in applying for program funding.

## CARES Act Provisions Related to USDA RD Programs

Congress included supplemental funding for, and provisions related to, RD programs in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act, P.L. 116-136). Division B of this act includes \$25 million for the Distance Learning and Telemedicine (DLT) Program and \$100 million for grants under the ReConnect broadband pilot program. It also provides a \$20.5 million loan subsidy for the Business and Industry (B&I) Loan Guarantee Program, which will support approximately \$1 billion in loan guarantees to businesses in eligible rural areas. The *loan subsidy* is the estimated cost of providing a certain level of loans, including administrative costs and the potential costs of borrower defaults.

In January 2020, prior to enactment of the CARES Act, RD began accepting applications for the [second round of ReConnect funding](#). In March 2020, after President Trump signed the CARES Act into law, RD announced that it would use the supplemental CARES Act funding to award additional grants under the second round of ReConnect. The application window for the second round of ReConnect was open January 31-April 15, 2020. In April 2020, RD announced a [second application window](#) for FY2020 DLT funding and stated that it will use the supplemental CARES Act funding in addition to unused funds from the first FY2020 DLT application window. The application window for DLT is open April 14-July 13, 2020. In May 2020, RD began accepting applications for [CARES Act B&I loan guarantees](#). RD changed certain terms from the traditional B&I Loan Guarantee Program, including increasing the maximum guarantee from 80% to 90% of the loan amount and increasing the maximum term for working capital loans from seven years to 10 years.

The CARES Act's [foreclosure moratorium](#), [single-family and multifamily mortgage forbearance provisions](#), and [eviction moratorium](#) apply to RD rural housing programs, including single-family and multifamily direct and guaranteed loans and rural rental assistance. Prior to enactment of the CARES Act,

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RD had implemented its own foreclosure moratorium and forbearance options as well as more limited eviction protections for its multifamily and single-family programs.

## USDA RD Actions

In addition to the CARES Act, RD has taken a number of actions to respond to COVID-19. RD announced that lenders administering certain guaranteed loan programs may offer 180-day loan payment deferrals without prior agency approval. Borrowers of certain RD direct loans may request payment deferrals or other payment assistance. RD also extended application deadlines for certain loan and grant programs to allow applicants additional time to submit applications during the pandemic. On April 13, 2020, USDA published the [COVID-19 Federal Rural Resource Guide](#), a compilation of federal funding and resources potentially available to rural entities for COVID-19 response. For the most up-to-date information on RD actions to respond to COVID-19, see their [COVID-19 response webpage](#).

## Policy Considerations

As Congress continues to respond to the impacts of COVID-19 in rural areas, it may consider a number of policy options related to RD programs. The CARES Act provided supplemental funding to Department of Housing and Urban Development [rental assistance programs](#) but not to RD rural rental assistance (Section 521). Some Members of Congress have called for [additional funding for rural rental assistance](#) in anticipation of increased funding needs as tenant incomes decline during the current economic downturn.

In response to economic hardship due to COVID-19 that some RD loan borrowers may be experiencing, RD has offered some payment flexibilities for current borrowers, as described above. Some stakeholders have proposed that RD also temporarily defer principal and interest payments on all RD direct loans. Some RD borrowers provide utilities—such as electricity, water, or broadband—to rural customers. Many utility providers in rural areas were already facing low profit margins prior to COVID-19 due to few paying customers in some sparsely populated areas. Deferrals on RD loans could help utility providers that lack extensive financial reserves provide payment flexibility to customers and potentially avoid disconnecting utilities for customers struggling to pay their bills due to job losses or reduced incomes related to COVID-19.

School and workplace closures during COVID-19 have highlighted the so-called [digital divide](#), or the gap between those with internet access and those without, and its implication for activities such as teleworking, distance learning, and buying groceries online. Congress may consider additional funding for RD programs that finance telemedicine facilities and broadband deployment. However, broadband deployment projects often take years to complete and would not bring immediate relief to rural residents lacking broadband during COVID-19. (The Federal Communications Commission, which also administers broadband deployment and adoption programs, has [expanded certain broadband and telemedicine programs](#) to respond to COVID-19.) The current economic downturn is also negatively impacting [state and local fiscal conditions](#), causing a decline in state and local revenues and a simultaneous increase in demand for public services, including unemployment insurance and medical care. Congress could consider providing supplemental appropriations to RD programs that finance local public infrastructure, such as public utilities or health and safety facilities, to reduce the financial burden on state and local governments.

Entities eligible for RD programs—such as local governments, nonprofit organizations, and small businesses in rural areas—often lack the personnel or resources to prepare applications for federal funding. Congress may consider providing supplemental funding for RD programs that provide technical assistance or training to help applicants assess needs and apply for RD funding. If Congress provides supplemental funding for RD programs, it may also consider providing additional funding for program

monitoring and evaluation to track the distribution of funds and assess the efficacy of projects in helping rural areas respond to and recover from the impacts of COVID-19.

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