



**Committed to the future  
of rural communities**

# Business and Industry Guaranteed Loan

- The B & I Guaranteed Program is Lender-Driven:
  - The USDA guarantees the loan rather than lending directly. A commercial lender requests the B & I Guarantee, and if approved, it makes (and services) the loan.
- This program encourages the financing of rural businesses, thereby:
  - Creating and saving rural jobs
  - Improving the economic and environmental climate of rural communities



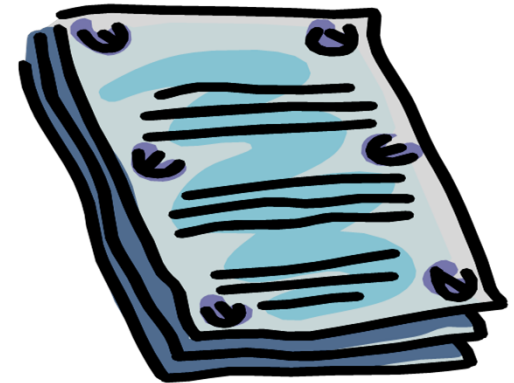
# Business and Industry Guaranteed Loan

## ● Program Requirements

- Typically beginning at \$250,000
- USDA Guarantees
  - 80% Up to 5 Million
  - 70% 5 – 10 Million
  - 60% 10 – 25 Million

USDA Guarantee Fee of 3%

- Annual renewal fee of .25%
- Lender Negotiates Interest Rate, Term, Payment Structure, and Fees within program guidelines
- Lenders use their own forms, loan documents, and security instruments



# Business and Industry Guaranteed Loan

## ● Program Requirements

### ● Possible Loan Purposes:

- Business/commercial acquisitions, construction, expansion/land development, production when part of an integrated process and/or marketing operation.
- Hotels, motels, bed & breakfast and other tourism & recreation facilities
- Start-up costs, working capital, and refinancing of outstanding debt.
- Aquaculture, commercial fishing, commercial nurseries, mushrooms, hydroponics, and education/training facilities.
- Financing of housing developments under special circumstances.

# Business and Industry Guaranteed Loan

- Program Requirements
  - Rural Area with less than 50,000 population
    - <http://www.rurdev.usda.gov/rbs/>
  - Must have adequate collateral & good credit
  - Personal/Corporate Guaranties may be required
  - Key Person Life Insurance may be required
  - Business must have tangible balance sheet equity of **10%** for existing businesses and **20%** for new businesses

# Business and Industry Guaranteed Loan Terms

- 30 years for land and building
- 15 years for M&E
- 7 years for working capital
- Depending on mix of the use of funds term will be blended
- No Lines of Credit or Balloon Payments
- Guarantees can be issued at construction

# Collateral Values

- Land and building use 80% LTV
- M&E use 70% LTV
- FF&E use 70% LTV
- Inventory use 70% LTV
- AR's use 60% LTV
- Can also use borrower's personal collateral: residence, 2<sup>nd</sup> property, etc.

# Application for Loan Note Guarantee Form 4279-1

- Part A – Completed by Borrower
- Part B – Completed by Lender
- If loan amount is \$600,000 or less will use the simplified application 4279-1A
- 1940-20 Environmental Questionnaire
- If the loan is more than \$1 million and at least 50 new jobs will be created, **Form 4279-2** to receive Department of Labor clearance.



# Application for Loan Guarantee

- Historical and projected financial statements, (3 years/2years)
- Guarantors PFS's (anyone with 20% or more ownership in the business)
- Bank's credit analysis
- Business plan or feasibility study if required

# USDA Rural Development

## Community Facilities Guaranteed Loan

- To construct, enlarge, extend or otherwise improve essential community facilities providing essential service primarily to rural residents. This can include costs to acquire interest in lands, leases, and rights-of-way necessary to develop the facility. Funds can also be used for necessary equipment for the operation of the facility



## *Who May Receive Assistance ?*

- ***Public Bodies:*** Cities, Counties or Special Purpose Districts
- ***Indian Tribes***
- ***Non-Profit Corporations***
- **Population Limits:** Towns up to 20,000 population (2000 Census)
- **In Addition, Borrowers must:**  
Have the legal authority to borrow and repay loans, to pledge security for loans, and to construct, operate, and maintain the facility or services. Be financially sound and be able to organize and manage the facility effectively. Be financially sound, and be able to organize and manage the facility effectively.



# *Examples of Community Facility (CF)*

- *Health Care Facilities, such as hospitals, nursing homes, medical clinics, assisted living facilities*
- *Public Safety Facilities, such as fire departments, fire apparatus and equipment, police stations, multi-service emergency centers*
- *Public Buildings, such as community centers, libraries, day care centers, child care centers, schools, city or county office buildings,*
- *Transportation, such as airports, airport hangars, sidewalks, street improvements, vans for Senior Centers, Nursing Homes, Schools, Day Care Center*
- *Utility, such as Telemedicine/ distance learning*

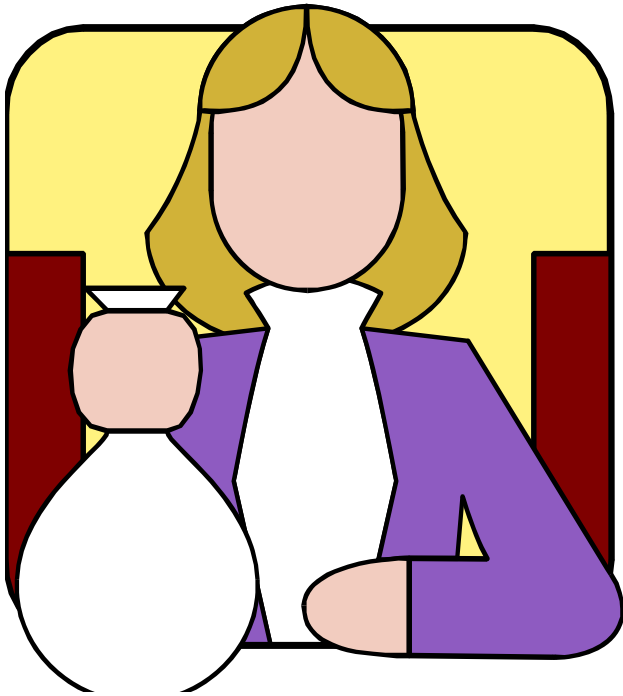


# CF Guaranteed Loan



- *Rural Development guarantees the loan rather than lending directly.*
- *A commercial lender request the CF guarantee, and if approved, it makes and services the loan.*
- *Federal guarantees 90%*
- *Simplified Application process - lender driven*

# CF Direct Loan



- *When conventional credit is not available at reasonable rates and terms (USDA term 40 years)*
- *Can be combined with a Guaranteed loan*
- *Requires Interim Financing for Construction Projects*

## Rural Energy for America Program (REAP)

- Has both a grant and loan element.
- For renewable energy or energy efficiency projects
- Applicants are agriculture producers or small businesses
- Eligible areas are cities or towns with a population of 50,000 or less

# Grant Limits

- Energy Efficiency:
  - Minimum grant: \$1,500
  - Maximum grant \$250,000
- Renewable Energy:
  - Minimum Grant: \$2,500
  - Maximum grant: \$500,000
- Grants are also available for feasibility studies



# Guaranteed Loans

- Can approve loans up to \$25 million or 75% of total project
- = or < \$600,000 - 85% guarantee
- = or >\$600,000 and =or < \$5,000,000 - 80% guarantee
- = or > \$5,000,000 and = or < \$10,000,000 - 70% guarantee
- >\$10,000,000 to \$25,000,000 - 60% guarantee

# Partnership Programs

IRP –(Intermediary Relending Program)

Applicant is a non-profit working in economic development or a town or city

Generally do loans from \$5,000 to \$50,000 but can go to \$150,000

Businesses in areas with populations of 25,000 or less

USDA makes a loan to the non-profit for 30 years at 1% and they lend it back out to small businesses; startups, expansions, etc

# Partnership Programs

- RMAP – Rural Microenterprise Assistance Program (was new in 2010)
- For Microenterprise Development Organizations but not city or towns
- Maximum loan of \$500,000 and maximum grant for technical assistance of \$105,000
- Areas with populations of 50,000 or less
- Maximum loan to business is \$50,000
- Business must have 10 employees or less

# Contact Information

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