



United States Department of Agriculture  
**Rural Development**  
Committed to the future of rural communities



## Michigan Rural Business and Cooperative Service

# FEATURES OF THE B&I – ARRA Guaranteed Loan Program

### General Guidelines

- B&I-ARRA is an enhanced B&I program – Except as outlined below, the program works exactly like the regular B&I program. It is designed to help lenders extend commercial loans to rural businesses of all sizes and thereby overcome the perceived “credit crunch.”

### Enhancements

- Ample Funding – Michigan has been designated **\$57 million** in B&I-ARRA guarantee funds.
- **Reduced 1% guarantee fee** – the standard 2% B&I guarantee fee has been cut in half to 1%. For example on a \$3,000,000 loan receiving an 80% guarantee the fee would be \$24,000. ( $\$3,000,000 * 80\% * 1\%$ ) vs the regular program where the fee would have been \$48,000.
- **No Annual Renewal Fee** – The standard .25% annual renewal fee is eliminated.
- **90% guarantee for “high priority loans”**. Loans that support Quality Jobs in Distressed/Underserved Areas can qualify for 90% guarantees on loans up to \$10 million. By contrast, with the standard B&I program loans up to \$5 million can qualify for up to an 80% guarantee and 70% on larger loans up to \$10 million.

**What are “High Priority Loans?”** They are loans that score a minimum of 55 points under the B&I scoring system. Normally, a loan can score 55 points if it has these 2 features:

1. Quality Jobs. The business being financed pays an average wage rate of at least \$9.07 per hour (more than 125% of the federal minimum wage).
2. Distressed Community. The business will be in an area experiencing any of the following:
  - a. **High Unemployment** – More than 125% of the national unemployment rate.
  - b. **Underserved area or Underrepresented Group** – Either a business located in an area that has historically not benefited from B&I assistance or a minority-owned or woman-owned business.
  - c. **Out-migration** – Population loss each decade for the last 40 years.
  - d. **Persistent Poverty** – over 20% poverty for the past 30 years.

With Michigan’s recent economic troubles there are many areas of the state that should qualify for 90% guarantees.

## **Restrictions**

### **Ineligible projects** for B&I-ARRA funds.

- Aquariums, museums, zoos
- Convenience Stores (unless the store provides “Quality Jobs” as defined above or sells or will sell E85 fuel upon completion of the project.)
- Hotels, motels, or other facilities with pools or water parks
- Golf courses, casinos, and other gambling establishments (which are ineligible under regular B&I as well)

### **Construction Projects** (>\$2,000)

- B&I can fully support fully-amortizing loans for construction projects. However, when more than \$2,000 will be spent for construction, alteration or repair (including painting or decorating), Davis-Bacon Prevailing Wage Requirements apply.

### **Public Works Projects**

- B&I ARRA can support public body projects. However, for such projects, “Buy American” requirements apply to all purchased materials (iron, steel, etc) and equipment.

### **Vehicles**

- If they are to be financed only American vehicles can be purchased.

Please get in touch with a local B&I Specialist to help you with your Guarantee Loan Projects. We are here to assist you.

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