

USDA RURAL DEVELOPMENT

Business & Industry Guaranteed Loan Program

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Business Programs Director

RURAL AREA

- Business must be located in a rural area
- Population of 50,000 or less
- Web site to determine eligibility:

<http://eligibility.sc.egov.usda.gov>

ELIGIBLE BORROWERS

- Cooperative, Corporation, Partnership, Individual, Tribal Group or Public Body
- 51% owned by persons who are either U.S. Citizens or have been legally admitted for permanent residence

INELIGIBLE BORROWERS

- Churches, Charitable or Fraternal Organizations
- Lending, Investing or Insurance Companies

ELIGIBLE LOAN PURPOSES

- Existing or Start-up Businesses
- Real Estate and Buildings
- Machinery & Equipment
- Term Working Capital
- Refinancing (max. 49% existing exposure)
- Nearly any business venture with a few exceptions



INELIGIBLE LOAN PURPOSES

- Agricultural Production
- Golf Courses
- Gambling
- Racetracks
- Housing
- Equity Distributions to Existing Owners
(if maintaining any ownership)
- Line of Credit Loans
- Loans with Balloon Payments

RATES & TERMS

- Real Estate 30 years
 - Building or Construction 30 years
 - Machinery & Equipment 15 years
 - Working Capital 7 years
 - Debt Refinancing 30 years
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- Interest Rate is Negotiated between Business & Lender – (*can be Fixed or Variable, adjusting not more than quarterly*)

PERCENTAGE OF GUARANTEE & FEES

- To \$5 Million.....up to 80%
- \$5 - \$10 Million.....up to 70%
- Over \$10 Million.....up to 60%

- Fee is 2% of Guarantee Amount
($\$500,000 \times 80\% \times 2\% = \$8,000$)
plus annual recurring fee – currently 1/4 %

Special ARRA Enhancements

All submissions for ARRA Funds:

- Guarantee Fee is reduced from 2% to **1%**
- Annual Renewal Fee is **ELIMINATED!**

Provided 3 additional criteria are met:

- Opportunity for a **90% Guarantee** on loans up to \$10 million.

Criteria for 90% GUARANTEE

- Quality Jobs
 - 125% of federal minimum wage or \$9.07/hr.
- Distressed Community
 - High Unemployment OR
 - Underserved Area or Underrepresented Group
- Application must score 35 points

To be eligible to receive a 90% guarantee.

INELIGIBLE ARRA PROJECTS

- Aquariums, museums, zoos
- Convenience Stores (unless the store provides “Quality Jobs” 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)



OTHER ARRA

- Davis Bacon Laws – Construction Projects Only

CREDIT REQUIREMENTS

COLLATERAL

- 1 to 1 coverage on a discounted basis
- Any reasonable, sound loan-to-value discount policy (consistent with non-guarantee loans)

Generally:

Real Estate/Buildings	75% of mkt value
M&E	60% of mkt value
AR & Inventory	60% of book value

Required: Limited, Personal Guarantees of anyone with 20% or more ownership in the business

CREDIT REQUIREMENTS

EQUITY

- Existing Business 10%
- New Business/New Ownership 20%

- Tangible Balance Sheet Equity, as a % of Total Assets, on a Book Basis, according to GAAP
Must remove intangibles, subordinated debt and appraisal surplus from both assets and equity



CREDIT REQUIREMENTS (OTHER)

- Adequate Cash Flow & Debt Service Ability
- Management Ability
- Acceptable Personal & Business Credit History

LOAN PROCESS

- Pre-application

- Lender's Credit Analysis

- Make sure it includes source & use of funds and a post closing pro-forma balance sheet*

- Financial Statements

- (5 to 10 Business Days)

- Can call anytime to get our feel of the proposal before submitting any information.

APPLICATION

- Field Visit
 - Application for Guarantee (*see packet*)
 - Business Plan or Feasibility Study (*see packet*)
 - Credit Reports
 - Proposed Business Loan Agreement
 - Environmental Assessment/SHPO
 - Appraisal
- (5 – 15 Business Days)

LOAN PROCESS

- Agency Credit Committee Approval
- Conditional Commitment is Issued
6 Day Delay
- After Loan is Closed, submit Closing Docs.,
Appraisal, Balance Sheet & Check for Fee
- Loan Note Guarantee is Issued After the Project
is Complete

PARTICIPATION OR SALE OF GUARANTEE

- Lender may sell 100% of the Guaranteed Portion of the Note
- Lender may sell some of the unguaranteed portion of the Note
- Lender is required to hold in its own portfolio a minimum of 5 percent of the total loan amount.

LOAN SERVICING REQUIREMENTS

- Annual Financial Statements (GAAP)
- Annual Lender Analysis
- Annual Field Visit

- Liquidation is performed by lender with agency approval
- After applying sale proceeds, guarantee covers up to 90% of loss lender would have otherwise incurred.



Business Programs

Business and Industry Guaranteed Loans
Rural Energy for America Program Grants & Loans
Rural Business Enterprise Grants
Value Added Producer Grants
Renewable Energy Program Loans & Grants
Intermediary Re-lending Program Loans
Rural Economic Development Loans and Grants
Cooperative Development Assistance

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