



**Business
and Industry
Guaranteed
Loan Program**

A Guarantee To Help Businesses Save or Create Jobs

The Business and Industry (B&I) Guaranteed Loan Program guarantees loans made by eligible lenders to rural businesses.

The primary purpose of this program is to create and maintain employment and improve the economic and environmental climate in rural communities. This is achieved by expanding the existing private credit structure capability to make and service quality loans to provide lasting community benefits.

Administered by the Rural Business-Cooperative Service (RBS) of USDA Rural Development, the program typically guarantees losses of up to 80 percent of the original loan amount. Inability to obtain other credit is not a requirement.



Benefits to Businesses

- **Higher loan amounts, lower interest rates, and longer repayment terms.**
- **Assists a business in providing stability, growth, expansion, and rural employment.**

Benefits to Lenders

- **Provides lenders with another tool to expand their loan portfolio.**
- **Enables lenders to increase earnings through participation in the secondary market.**
- **Reduces concerns regarding collateral/appraisal issues often found in smaller communities.**
- **Allows lenders to make loans above their legal lending limits.**

Eligible Areas

B&I loans can be made by commercial or other authorized lenders in rural areas including all areas other than cities of more than 50,000 people and their immediately adjacent urbanized or urbanizing areas. Priority is given to applications for loans in rural communities of 25,000 population or less.

Eligible Borrowers

Individuals; corporations, cooperatives, partnerships, and other legal entities, public and private, organized and operated on a profit or nonprofit basis; and Federally recognized Indian tribal groups.

Eligible Loan Purposes

- **Business and industrial acquisitions, construction, conversion, expansion, repair, modernization, or development costs.**
- **Purchase of equipment, machinery, or supplies.**
- **Start-up costs and working capital.**
- **Processing and marketing facilities.**
- **Pollution control and abatement.**
- **Refinancing for viable projects, under certain conditions.**

How To Participate

For more information on the B&I Guaranteed Loan Program, contact any USDA Rural Development office in your state.

Maximum Loan Amount

Loan guarantees are generally limited to a maximum of \$10 million per borrower, although the RBS Administrator, with concurrence of the Under Secretary for Rural Development, may approve up to \$25 million.

Loan Guarantee Limits (maximum percentage applies to the entire loan)

- 80% for loans of \$5 million or less.
- 70% for loans over \$5 million and up to and including \$10 million.
- 60% for loans exceeding \$10 million and up to and including \$25 million.

Collateral - Appraisals

All collateral must secure the entire loan. Repayment must be reasonably assured. Personal and corporate guarantees are required. Appraisal reports prepared by qualified individuals are required on property that will serve as collateral.

Loan-to-Appraised Market Value Ratios

Lenders will discount collateral consistent with sound loan-to-value policy.

Maximum Repayment Terms

- Working capital – 7 years.
- Machinery and equipment – 15 years (or useful life.)
- Real estate – 30 years.

Ineligible Loan Purposes

- Line of credit.
- Agricultural production which is not part of an integrated business involved in the processing of agricultural products.
- Any project likely to result in the transfer of employment from one area to another.

- Any project involving transfer of ownership, unless this will keep the business from closing, prevent the loss of jobs in an area or provide more jobs.
- Payment to owners, partners, shareholders, or others who retain any ownership in the business.
- Corporations and businesses not at least 51 percent owned and controlled by U.S. citizens.
- Charitable institutions, religious organizations and affiliated entities, and fraternal organizations.
- Loans for golf courses, gambling establishments, and race tracks.

Fees and Costs

A one-time guarantee fee of 2 percent of the guaranteed principal amount is paid by the lender and may be passed on to the borrower. A 1 percent fee may be allowed if the loan is for a high-impact business or is located in an economically distressed community. Other typical lender costs may also be incurred.

Borrower Equity Requirements

A minimum of 10 percent tangible balance sheet equity is required at the time of issuance of the Loan Note Guarantee. Twenty percent tangible balance sheet equity is required for new businesses. Equity is calculated from financial statements prepared in accordance with generally accepted accounting principles. Feasibility studies may be required.

Interest Rate

Interest rates for loans may be fixed or variable. The rate is negotiated between the lender and borrower and is similar to those rates customarily charged to other borrowers in similar circumstances. Variable rates cannot be adjusted more than quarterly.

Credit Quality

Lender addresses the business adequacy of equity, cash flow, collateral, history, management, and the current status of applicable industry in a written credit analysis.

Servicing/Liquidation

Annual financial statements prepared in accordance with generally accepted accounting principles are required. Lenders will service and, if necessary, liquidate the loans (with USDA Rural Development concurrence).

For More Information

For more information contact the Rural Development State Office or any Rural Development field office:

Call the Deputy Administrator, Business Programs, Rural Business-Cooperative Service (RBS) at (202) 720-0813 or visit our home page on the Internet:

<http://www.rurdev.usda.gov>

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**U.S. Department of Agriculture
Rural Development
Rural Business-Cooperative Service**

