



### **USDA Rural Development Business and Industry Guaranteed Loans**

#### **What is the Business and Industry Guaranteed Loan Program?**

The U.S. Department of Agriculture (USDA) through its Rural Development Business and Industry (B&I) Guaranteed Loan Program guarantees loans made by eligible lenders to rural businesses. Rural Development's (RD) mission is to increase economic opportunity and improve the quality of life for all rural Americans. The B&I program's primary purpose is to improve the economic and environmental climate in rural areas by improving, developing, or financing business, industry, and employment. The program covers any areas other than a city or town that has a population of greater than 50,000 inhabitants and the urbanized area contiguous and adjacent to such a city or town.

#### **How can banks benefit from participating in the B&I program?**

- The federally guaranteed portion of the loan is protected against loss, reducing lenders' credit risk exposure.
- There is an active secondary market for B&I guaranteed loans (e.g., Farmer Mac II and Small Business Administration markets) providing lenders with liquidity options.

- Lenders have the flexibility to use their own forms, loan documents, and security instruments.
- The guaranteed portion of the loan does not count against bank lending limits.
- B&I guaranteed loans may be considered for positive consideration under the Community Reinvestment Act (CRA) lending test.

B&I loans receive preferential capital treatment based on USDA's guaranty.

#### **How do lenders participate in the B&I program?**

Similar to the SBA loan programs, lenders originate the B&I loans to businesses. B&I lenders consult with USDA's RD state offices. RD staff process the pre-applications (when appropriate) or applications for the borrowers. Forms and details about the B&I application process are available [here](#) or through [USDA RD state offices](#).

Lenders are responsible for application preparation, ensuring credit quality, loan documentation, construction supervision (when appropriate), distributing loan funds, and loan servicing. In addition, lenders are responsible, in consultation with borrowers, for developing environmental impact analyses, where necessary. The Agency is responsible for a general review of the lender's analysis of the credit. For further information, see [RD AN No. 4509 \(4279-A and 4279-B\)](#) April 5, 2010.

## What can B&I guaranteed loan funds be used for?

Most B&I loans are used for the following purposes:

- Business and industrial acquisitions;
- Business conversion, enlargement, repair, modernization, or development;
- Purchase and development of land; or Purchase of equipment, machinery, supplies, or inventory.

## How are B&I loans typically structured?

- **B&I guarantees** are negotiated between the lender and the agency. The maximum percentage of guarantee is 80 percent for loans of \$5 million or less, 70 percent for loans between \$5 million and \$10 million, and 60 percent for loans exceeding \$10 million.

To increase financing for high-priority projects, the American Recovery and Reinvestment Act of 2009 provided a limited amount of 90 percent guarantee authority for loans of \$10 million or less.

- **Loan amounts** usually may not exceed \$10 million. At the RD Administrator's discretion, the loan limit may be increased to \$25 million. The USDA Secretary may approve guaranteed loans in excess of \$25 million, up to \$40 million, for rural cooperative organizations that process value-added agricultural commodities.
- **Loan terms** range from 7 to 30 years, depending on whether the loan is for working capital, equipment, or real estate.
- **Interest rates**, which may be either fixed or variable, are negotiated between the lender and the applicant.

- **Collateral** is required and must have documented value sufficient to protect the interest of the lender and the agency.
- **Renewal fees** are paid annually, usually by the borrower, and are required to maintain the enforceability of the lender's guarantee. The amount of the annual renewal fee is established by Rural Development. The annual renewal fee in effect at the time the loan is obligated remains the same for the life of the loan.

## Who are the borrowers?

Eligible borrowers include businesses dealing in manufacturing, retail, wholesale, or services, which are operating as profit or nonprofit corporations, individuals, cooperatives, trusts, political subdivisions (municipal, county or other), and federally recognized Indian tribal groups.

## Additional information on B&I Loan Guarantee Program

[Program overview](#)

[Lenders Guide to B&I Guaranteed Loan Program](#)

[Processing Guide and Application Checklist](#)

[Secondary market information](#)

[USDA Priority Scoring System](#)

[USDA's Business and Industry Guaranteed Loan Program, Community Developments Insights](#), OCC, June 2012