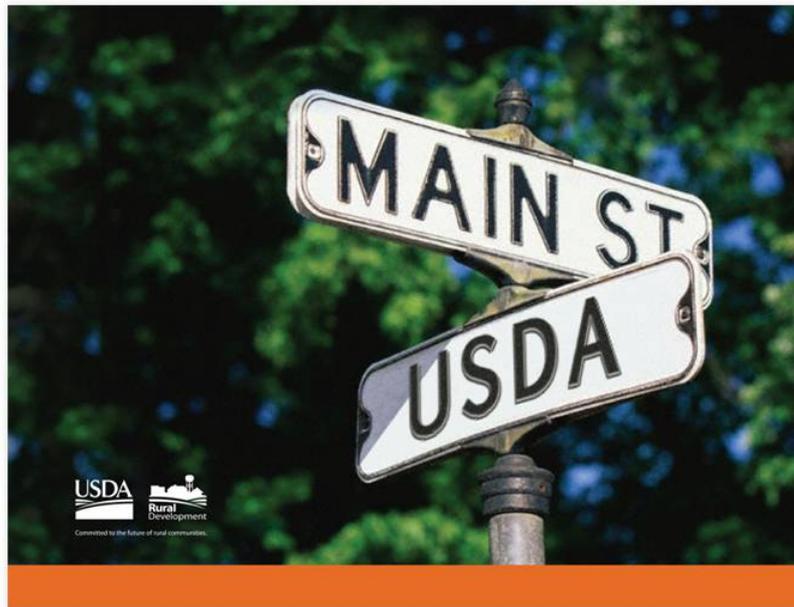


USDA Rural Development

Rural Business-Cooperative Service



**BACKING
THE
BUSINESS
OF
RURAL
AMERICA**

A “Win-Win” for Rural Businesses and Rural Communities

Through the Rural Development’s business loan and grant programs, businesses have additional access to capital, infrastructure, and technical assistance; the businesses have a better chance of succeeding, and the rural communities thrive as their local businesses grow.



Backing Rural American Businesses

USDA RD Business Programs help rural communities through loan guarantees, intermediary loans, and grant programs

- **Federally financed, but locally focused, loan & grant programs provide economic benefits to rural communities.**
- **This is the only Federal economic development program that is dedicated exclusively to rural business.**



Business and Industry Guaranteed Loan Program Mission

- Create and maintain employment and improve the economic and environmental climate in rural communities.
- Bolster the existing private credit structure through the guarantee of quality loans that will provide lasting community benefits.



Why Obtain a Loan Guarantee?

- To exceed legal lending limit
- Mitigates collateral & other perceived risk
- Secondary Market yield
- Expand loan portfolio
- Fee income

Eligible Business Locations

- Rural Area: City or town with not more than 50,000 in population including contiguous and adjacent urbanized areas.
- **Eligibility Website:**
 - <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=rbs>





Committed to the Future of Rural Communities



You are here: [Eligibility /Home](#)

Eligibility

You must use [Internet Explorer 5.0](#) and higher or [Netscape 4.76](#) and higher in order to view this site. Best viewed using screen resolution of 1024 X 768.

Welcome to the USDA Income and Property Eligibility Site

This site is used to determine eligibility for certain USDA home loan programs. In order to be eligible for many USDA loans, household income must meet certain guidelines. Also, the home to be purchased must be located in an eligible rural area as defined by USDA.

To learn more about a USDA home loan program, click on the **Loan Program Basics** link on the left side of this screen and select one of USDA's home loan programs.

To determine if a property is located in an eligible rural area, click on the **Property Eligibility** link on the left side of the screen and select a Rural Development program. When you select a Rural Development program, you will be directed to the appropriate property eligibility screen for the Rural Development loan program you selected.

To determine income eligibility of an applicant/household, click on the **Income Eligibility** link on the left side of the screen and select a Rural Development program. When you select a Rural

- Eligibility
 - [Home](#)
- Property Eligibility Programs
 - [Single Family Housing](#)
 - [Multi Family Housing](#)
 - [Business Programs](#)
- Income Eligibility Programs
 - [Single Family Housing](#)
- Income Limits
 - [Single Family Housing](#)
 - [Direct](#)
 - [Guaranteed](#)
- Loan Program Basics
 - [Single Family Housing](#)



Committed to the Future of Rural Communities



You are here: [Eligibility /Property Eligibility](#)

Rural Business Services

[Click Here for the following programs:](#)

- Business and Industry Guaranteed Loans (B&I Guar.)
- Rural Business Enterprise Grants (RBEG)
- Rural Business Opportunity Grants (RBOG)
- Rural Economic Development Loans (REDL)
- Rural Economic Development Grants (REDG)
- Renewable Energy and Energy Efficiency Program (REEEP)

[Click Here for the following programs:](#)

- Intermediary Relending Program (IRP)

Eligibility

▶ [Home](#)

Property Eligibility Programs

- ▶ [Single Family Housing](#)
- ▶ [Multi Family Housing](#)
- ▶ [Business Programs](#)

Income Eligibility Programs

- ▶ [Single Family Housing](#)

Income Limits Single Family Housing

- ▶ [Direct](#)
- ▶ [Guaranteed](#)

Loan Program Basics Single Family Housing



You are here: [Eligibility / Property Eligibility](#)

Rural Business Services

USDA Property Eligibility

Property eligibility can be determined in any one of three ways:
-Enter an address below or
-Select a state from the map

Pin Point Address on U.S. Map

Please enter an Address:
(State and Zip Code must be entered)

Address

City

State*

Zip-Code* -

[Click here to find out about additional areas that are also considered eligible](#)

Please select a state to view eligibility area by cursor over desired state and clicking.



Eligibility

[Home](#)

Property Eligibility Programs

- [Single Family Housing](#)
- [Multi Family Housing](#)
- [Business Programs](#)

Income Eligibility Programs

- [Single Family Housing](#)

Income Limits Single Family Housing

- [Direct](#)
- [Guaranteed](#)

Loan Program Basics Single Family Housing

Eligible Borrowers

- Any legal entity, including nonprofit organizations, Federally recognized tribal group, public body or individual.
- Manufacturing, wholesaling, retailing, service oriented.

Loan Purposes

Common purposes -

- Real estate purchase and improvements
- Machinery and equipment
- Working capital
- Integrated agriculture production/processing facilities
- Debt refinancing and business acquisitions - under certain conditions



Refinancing Commercially-Leased Space (shopping centers, warehouses, etc)

- Facility does not have to be owner occupied
- No size limitation on business
- Refinancing permitted provided no more than 50% is lender's existing debt.
- No personal net worth minimum
- No minimum loan requirement
- Can use B&I when SBA eligibility limit is reached

Ineligible Borrowers/Purposes

- Charitable institutions
- Churches or church-controlled organizations
- Fraternal organizations
- Lending and investment institutions
- Insurance companies
- Businesses engaged in illegal activity
- Golf courses

Ineligible Borrowers/Purposes, *cont.*

- Lines of credit.
- Lease payments.
- Guarantee of loans made by other Federal agencies
- Distribution or payment to an owner, beneficiary, or a close relative of the owner, when owner will remain an owner.
- Federal tax-exempt obligations.

Examples of Loans Guaranteed

- Medical Clinics/Offices
- Hotels
- Cinema Theaters
- Restaurants
- Boat Manufacturers
- Automotive Repair Services
- Automobile & Equipment Dealerships
- Self Storage Facilities
- Daycare Facilities
- Recreation & Amusement Parks
- Ornamental Plant Nurseries
- Defense Contractors
- Aviation Service Businesses
- Poultry Processing Plants
- Plumbing Businesses
- Shopping Centers
- Office Condos



Fees and Percentage of Guarantee

- Fee – 3% ($\frac{1}{4}$ of 1% annual renewal fee)
- Loan Limits - \$10 Million
- Percent of Guarantee Maximums
 - Greater than 10 MM – 60%
 - \$5MM - \$10MM – 70%
 - \leq \$5MM – 80%

Loan Structure

- Negotiated by the lender and borrower
- Rates can be Fixed/Variable/Combination
- Can charge origination fee and have prepayment penalty
- Maximum terms
 - Real estate - 30 years
 - Machinery and equipment - the lesser of 15 years or useful life
 - Working capital - 7 years
- No balloon payments (However, rate calls are permitted)

Tangible Balance Sheet Equity

- Financial statements prepared in accordance with GAAP (May be “In-house” financials)
- Minimum of 10 percent for existing businesses.
- Minimum of 20 percent for new businesses.
- Minimum of 40 percent for bio-based proposals.
- Intangibles - goodwill, R&D, amortized loan costs, customer lists, etc. must be removed
- Appraisal surplus not allowed
- Subordinated debt is debt not equity.

Collateral

- Sound and sufficient to protect interests of the lender and Agency (normally discounted value will be at least equal to the loan amount).
- Appropriately discounted.
- Cannot secure unguaranteed portion with additional collateral.

Appraisals

- Qualified Appraiser.
- R/E appraisals must meet FIRREA and USPAP standards.
- Machinery & Equipment values in accordance with normal banking practices (may use in-house appraisal)
- Loan origination and servicing actions.

Loan Application

- An assigned Loan Specialist is available by phone and in person to work with you in preparing loan application
- Decision making is local for loans within authority
- Preapplication enables lender to get a preliminary loan approval without completing an application.
- One-form application is electronically fillable

Agency Review

- Borrower Eligibility
- Loan Purpose Eligibility
- Repayment Ability
- Sufficient Collateral & Equity
- Complies with Statutes and Regulations
- Rural Development State Loan Committee
- National Office Loan Committee (loans over \$5 MM)

Conditional Commitment

- Agency's commitment to guarantee subject to requirements
- All conditions must be met on or before loan closing
- Guarantee generally does not cover construction period but may under certain conditions

Loan Note Guarantee

- Loan Note Guarantee (Form RD 4279-5) will be issued once conditions of Agency's commitment has been met
- Once guarantee has been issued, guaranteed portion of loan may be sold using Assignment
- Multiple notes are permitted

Loan Servicing

- In accordance with lender's Loan Agreement, Form RD 4279-4, "Lender's Agreement", and Form RD 4279-5, "Loan note Guarantee".
- Collection of annual Financial Statements
- Annual site visit
- Routine Servicing actions as necessary.

Contact Information

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USDA Rural Development
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Raleigh, NC 27609
(919) 873-2031

Program Website

<http://www.rurdev.usda.gov/rbs/busp/bprogs.htm>

