

TITLE 7 - AGRICULTURE

CHAPTER XVIII - RURAL DEVELOPMENT, DEPARTMENT OF AGRICULTURE

SUBCHAPTER Q - ADMINISTRATION

PART 2000 - GENERAL

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Administration (SBA) and the United States Department of  
Agriculture Rural Development  
(Business and Industrial Loans)

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PART 2000 - General

SUBPART P - Memorandum of Understanding Between Small Business  
Administration (SBA) and the United States Department of Agriculture  
Rural Development  
(Business and Industrial Loans)

§2000.751 General.

The Small Business Administration (SBA) is authorized to provide financial assistance to small business enterprises. The attached Memorandum of Understanding between SBA and Rural Development has been developed to establish an effective liaison and coordination of activities between the two agencies to assure prompt and efficient service to businesses contacting SBA or Rural Development.

§2000.752 Reaching agreement with SBA.

The State Director and SBA District Directors, or their designees, as well as appropriate officials at the National Office level will establish the proper liaison and necessary working relationships to implement the Memorandum of Understanding and avoid duplication of effort in serving the public.

§2000.753 State supplements.

State Directors may issue State Instructions, to the extent necessary to properly implement the policies of the Memorandum of Understanding.

§§2000.754 - 2000.800 [Reserved]

Attachment: Exhibit A

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Administration  
General

(2-22-77) SPECIAL PN

MEMORANDUM OF UNDERSTANDING BETWEEN SMALL BUSINESS ADMINISTRATION (SBA) AND  
THE UNITED STATES DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT

PREAMBLE

This joint memorandum reaffirms the mutual desire of Rural Development and the Small Business Administration (SBA) to cooperate in the use of their respective loan making authorities to complement the activities of each other and to improve the economic climate in the rural areas of the country.

GENERAL GUIDELINES

1. The Rural Development administers its Business and Industrial (B&I) loans and grant program through its State and County Offices. The SBA programs are handled by its District Offices.
2. Rural Development State Directors and SBA District Directors, or their designees, and appropriate officials at the National Office level will establish a liaison and periodically coordinate their activities to (a) assure that intended recipients of their programs are served, (b) define areas of cooperation for each of the two agencies, (c) enable both agencies to serve the public more expeditiously, and (d) provide maximum public benefit from the utilization of their respective resources.
3. The National Offices of the SBA and the Rural Development believe that each agency will achieve better utilization of available resources and the public will be benefited by the following:
  - (a) When it appears that the need of inquirers or prospective borrowers contacting either agency can be served as well or better by the other agency they will be advised of the other agency's programs so the inquirer can evaluate which will more effectively or expeditiously meet the business needs of the borrower. Rural Development State Directors and SBA District Directors are responsible for establishing lines of communication between their offices to exchange lists of referrals between their program personnel.
  - (b) Whenever an inquirer meets SBA eligibility criteria and size standards and the loan needs are within SBA's dollar limits, he will be encouraged to apply to SBA for assistance.

- (c) Inquirers seeking SBA assistance who do not meet the size and eligibility criteria will be referred to Rural Development.
  - (d) Neither Agency will refuse to accept an eligible application when the lender or applicant insists that he wants to file with a specific agency regardless of agency advice.
4. SBA District Directors will provide Rural Development State Directors with notices of all SBA sponsored or cosponsored prebusiness workshops, training courses, etc., as well as providing Rural Development with reasonable supplies of lists of free publications and the for sale publications.

#### COMPANION LOANS

5. In certain circumstances, the two agencies may participate in a total project but will normally have separate borrowers, loan agreements, notes, mortgages, and other legal documents. Due to the differences in the guaranty of the two agencies, sharing of a lien position in collateral will not be encouraged; however, cross pledging of collateral may be appropriate.
6. An illustration of total project in which both Rural Development and SBA may be requested to provide financial assistance might call for Rural Development to financially assist, either directly or indirectly, in the acquisition and construction of the land and buildings (an industrial park could be part of the total project), and SBA is requested to finance the commercial tenant's machinery and equipment and to provide working capital.
7. Separate applications are necessary for each agency and will be processed independently. However, the loan specialist for each agency is required to establish a liaison with his counterpart in the other agency when an applicant applies to both agencies for assistance in different aspects of the total project.
8. Copies of the same feasibility, technical, or market studies, business plans, appraisals, and other supporting documents will be supplied with the application to each agency where combined funding is contemplated.
9. The approval by either agency of its loan will be conditioned on the like approval by the other agency of its loan. A copy of each agency's terms and conditions for approval (SBA's loan authorization and Rural Development's conditional commitment for guarantee) will be supplied to the other agency.

10. Within the limits of their regulations, each agency must approve changes in their own approval documents, such as change of tenants, scope of operation, methods of financing, etc., after discussion with the other agency and notify the other agency of their action on each material change request received.
11. Loan closing and disbursing functions will be performed by each agency in accordance with their respective regulations.
12. Loan servicing procedure prescribed by each agency will apply to each agency's loans. However, if either agency receives any indication of an adverse change, including notice of past due payments, it will immediately provide the other agency with the adverse information and, when possible, the corrective action being proposed. Within the confines of each agency's regulations, no corrective action will be taken by either agency without discussing proposed corrective action with the other agency and determining the possible adverse impact on the other's loan, guaranty, or grant.
13. All liquidation situations will be handled on a case by case basis. Rural Development State Directors and SBA District Directors are responsible for determining that their personnel are guided by the principle of minimizing the total loss to the government and that all liquidation action or options adopted or guided by this principle.
14. Each agency will normally take a prior lien on those assets purchased with its loan proceeds. The loan specialists for each agency will mutually determine their respective lien position on other assets available as collateral.

OTHER GUIDELINES

15. The services of Rural Development and SBA to lenders and applicants are, by mutual agreement, those that each agency would provide any eligible applicant in the normal course of business and there will be no reimbursement by either agency to the other for such services.
16. The National Office of Rural Development, B&I Division, and the Central Office of SBA, Office of Financing, or Office of Portfolio Management, as appropriate, will cooperate with each other in counseling their field offices and in resolving problems in specific cases.
17. This agreement may be amended at any time by written agreement of both parties.

18. This agreement shall take effect upon the date of the execution thereof.

/s/ Thomas S. Kleppe

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Thomas S. Kleppe  
Administrator  
SBA

/s/ Frank B. Elliott

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Frank B. Elliott  
Administrator  
Rural Development

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