



OBTAINING A B&I GUARANTEED LOAN

Business & Industry (B&I) Processing Guide and Application Checklist

USDA Rural Development's Business & Industry Guaranteed Loan Program helps rural businesses by guaranteeing loans of commercial lenders who might not otherwise extend credit. The B&I guarantee is an incentive to spur business lending in rural areas.

ATTENTION BUSINESSES!

The B&I program is fundamentally a lender-driven process. USDA cannot consider a B&I proposal in detail until a lender expresses serious interest in the project. Nevertheless, USDA will gladly discuss prospective B&I projects with those businesses still seeking a lender so that they can be better informed when they approach potential sources of credit.

ATTENTION LENDERS!

Whenever a lender begins to seriously consider a loan for a possible B&I guarantee, they are encouraged to call USDA to discuss the project on an informal basis. USDA can give at least a tentative indication as to the eligibility of the project for a B&I guarantee. If you decide to proceed with a project, we suggest you first submit a preapplication only (see Exhibit A-1). This saves time by allowing USDA to review the project at an early stage and direct your efforts.

☞ A screening questionnaire for evaluating the suitability of potential B&I deals is shown on page 2.

THE APPLICATION PROCESS

A B&I application requires information from both the business and the lender, with the lender coordinating these efforts. The first step is to submit a preapplication (see Exhibit A-1, Business & Industry (B&I) Loan Program Preliminary Determination) for USDA's review. No forms are required for a preapplication! If the project warrants, USDA will then arrange a meeting with all parties, usually at the project site. If the project appears viable, the parties are encouraged to submit a complete application (see Exhibit A-2).

☞ An application flow chart is provided on the last page of this information sheet (Exhibit D).

APPLICATION FORMS IN MICROSOFT WORD & pdf

Fillable application forms in Word or pdf versions are available by contacting any of our staff members listed on the next page.

“ONE-DOC”

Note! Proposed B&I loans of ≤\$600,000 may be processed using an even more streamlined submittal. Contact a staff member listed on the next page and ask for a “ONE-DOC” application Form No. 4279-1a.

B&I Program Contacts in Pennsylvania:

Pennsylvania State Office
 United States Department of Agriculture
 Rural Development
 One Credit Union Place, Suite 330
 Harrisburg, PA 17110

Greg Greco	Business & Cooperative Programs Director	717-237-2181
	Gregory.Greco@pa.usda.gov	
Shaun Stehr	Business Program Specialist	717-237-2292
	Shaun.Stehr@pa.usda.gov	
Michael Richards	Area Specialist	814-336-6155
	Michael.Richards@pa.usda.gov	

A quick method for lenders to evaluate B&I loan prospects:

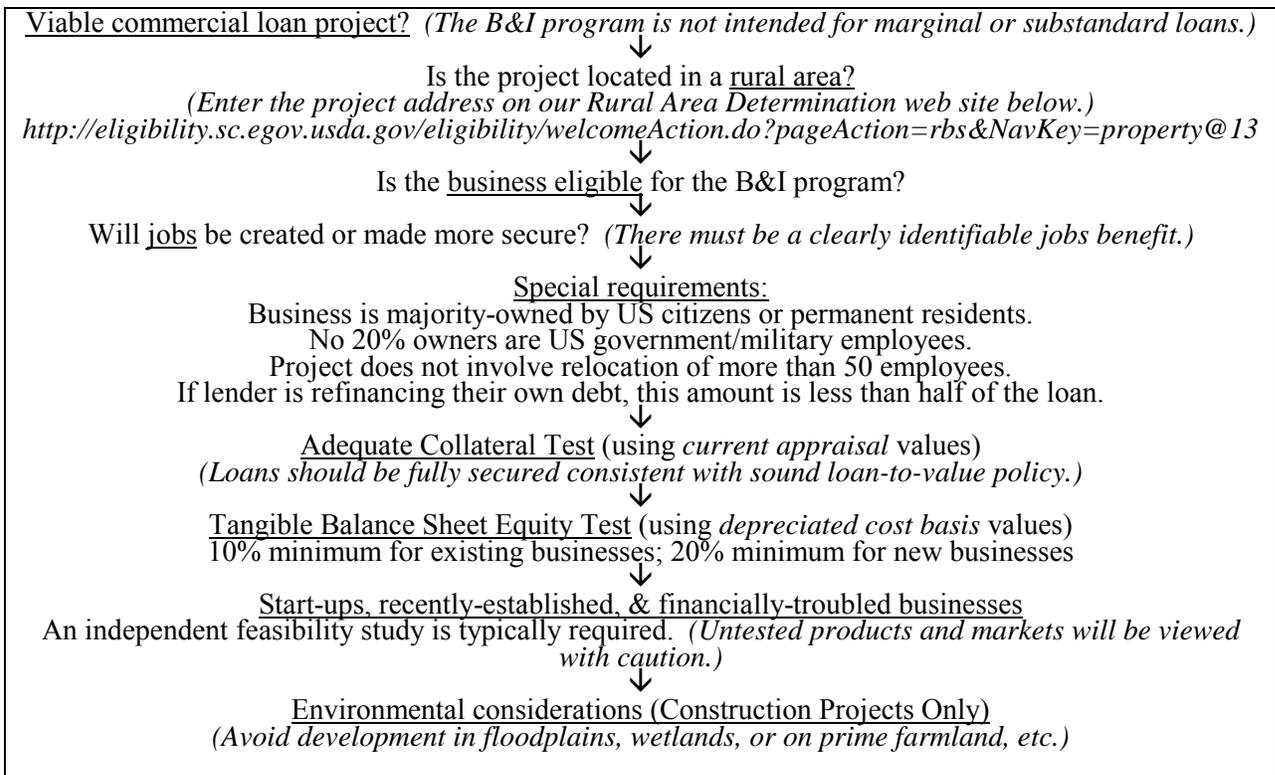


Exhibit A-1 – Contents of a B&I Preapplication**Business & Industry
(B & I)
Loan Program Preliminary Determination**

The following items are necessary for Rural Development to make a preliminary determination under the Business and Industry (B&I) Loan Program. These items should be submitted by the lender and/or borrower to **Rural Development at One Credit Union Place, Suite 330, Harrisburg, PA 17110.**

1. A cover letter which includes at least:
 - a. Borrower's name, organization type, address, contact person, tax identification and telephone number.
 - b. Name of proposed lender, address, contact person and telephone number, and lender's tax identification number.
 - c. Amount of loan request, percent of guarantee requested, and the proposed rates and terms.
 - d. Brief description of project, products, services provided, availability of raw materials and supplies and NAICS or SIC Code, if available. Include project location if different than address given above.
 - e. Type and number of jobs created or saved.
 - f. Amount of borrower's equity and a brief description of collateral, with estimated values, to be offered as security for the loan.
2. If a corporate borrower, the names and addresses of the borrower's parent, affiliates, and subsidiary firms, if any, and a description of the relationship.
3. For existing businesses, a current balance sheet and a profit and loss statement not more than 90 days old and financial statements for the borrower and any parent, affiliates, and subsidiaries for at least the 3 most recent years.
4. For start-up businesses, a preliminary business plan must be provided.
5. If completed, copy of Lender's written analysis, including spreadsheets.

Exhibit A-2 – Items Needed for a B&I Complete Application

In addition to the items mentioned in Exhibit A, the following information is needed for a final decision on a B&I request:

Completed Jointly by the Lender and Applicant:

1. Form 4279-1, “Application for Loan Guarantee (Business & Industry).” The form is on-line at: http://forms.sc.egov.usda.gov/efcommon/eFileServices/Forms/RD4279-0001_061100V06.pdf or fillable forms are available from a staff member.

Completed by the Lender:

2. The lender’s credit analysis of the proposed loan. This must include spreadsheets comparing the applicant’s past and projected financial statements, analysis of financial ratios, and comparison of the business with industry averages.
3. A current appraisal of the property to be taken as security – real estate, equipment, etc. Real estate appraisals should be complete summary reports and must comply with the Uniform Standards of Professional Appraisal Practices. Equipment appraisals should report both a fair market value and an orderly liquidation value. (*NOTE: USDA has some discretion to approve a B&I guarantee subject to an adequate appraisal to be submitted later..*)
4. Credit reports. A commercial credit report on the applicant business, plus credit reports on all proposed personal and corporate guarantors (including all owners with a 20%-or-more interest in the business).
5. A draft of the lender’s proposed loan agreement with the borrower. Please note that it must address all of the following issues: (*NOTE: This may be submitted later in the process.*)

Negative Covenants:

- Limitations on purchase or sale of equipment and fixed assets.
- Limitations on compensation of officers and owners.
- Restriction on dividend payments.
- Restrictions concerning consolidations, mergers, or other circumstances.
- Prohibition against assuming liabilities or obligations of others.
- Limitations on selling the business without the concurrence of the lender.

Financial Standards Covenants:

- Minimum working capital or current ratio requirement.
- Maximum debt-to-net worth ratio.

Financial Reporting Requirements:

- Type and frequency of submission of financial statements. (*Note: The borrower and all guarantors must provide financial statements at least annually. Nonprofits and public bodies must meet federal audit standards in their financial reporting.*)

Completed by the Applicant:

6. Current (not more than 90 days old) financial statements on all owners of the business who will provide personal/commercial guarantees (normally, all owners with a 20%-or-more interest in the business).

Exhibit A-2 – Items Needed for a B&I Complete Application (continued)**NOTE: The remaining items are only required in special cases.**

Item 7 is only needed if the project involves a start-up business or one which has not yet established a sufficient profitable track record. USDA will determine whether or not this will be required:

7. A feasibility study – completed by an independent consultant agreed to by all parties -- addressing the economic, market, technical, financial, and management feasibility of the project. *It should be contracted by the lender, but the cost may be included in the loan.*

Item 8 is only needed if the proposed loan is more than \$1 million and will increase direct employment by more than 50 employees:

8. Form 4279-2, “Certification of Non-Relocation and Market Capacity Information Report.” The form is on-line at: <http://www.rurdev.usda.gov/regs/forms/4279-02.pdf>

Item 9 is only needed if the loan will be secured by real estate:

9. FEMA Form 81-93, “Standard Flood Hazard Determination” (flood zone certification)

Items 10 & 11 are only needed if the project involves construction:

10. Form RD 1940-20, “Request for Environmental Information.” **Complete items 1, (not 2), 3, & 4.** USDA will advise you if it is necessary to contact the State Historic Preservation Officer (SHPO). **The earliest possible submittal of this is encouraged to expedite USDA’s environmental review.** The form is on-line at: http://forms.sc.egov.usda.gov/efcommon/eFileServices/Forms/RD1940-0020_060400V01.pdf

11. Supplemental environmental information outlined in Exhibit C on page 8. The format is available electronically by contacting any of the staff members listed above.

Item 12 is needed if the loan will be real estate secured:

12. All completed lender environmental questionnaires and studies (e.g., Transaction Screen Questionnaire, VISTA, Phase I or Phase II site assessment – as applicable) on the real estate, along with any mitigation/clean-up cost estimates. *USDA may request further studies.*

Item 13 is only needed if the applicant will be a franchisee:

13. A copy of the Uniform Franchise Offering Circular (UFOC).

Item 14 is only needed if the project is a commercial rental facility (retail center, office building, etc.):

14. List of committed tenants – including type of lease (triple net, etc.), lease term (years and options to renew), square footage, rental rate per square foot, and monthly rent.

Exhibit B: *Pro Forma* Tangible Balance Sheet Equity Calculation

Recommended format for calculating pro forma tangible balance sheet equity.

Instructions:

1. Attach the current balance sheet from which the “Beginning Position” (column 1 below) figures are taken. Be sure that the “Beginning Position” values are based on depreciated book value (cost), not current market values. If the applicant’s balance sheet is not prepared on a cost basis, provide an attachment explaining adjustments made to derive cost basis figures.
2. Deduct intangible assets (columns 2 & 3). Itemize intangible assets deducted in the explanation section below the table.
3. Debit and credit assets and liabilities (columns 4, 5, & 6) to reflect the effect of the B&I financing and other sources & uses of funds. Itemize debits and credits in the explanation section below the table. (Do not add assets which are intangible under Generally Accepted Accounting Principles -- e.g., take-out loan fees.)
4. Divide pro forma equity by pro forma total assets to determine % equity position.

Applicant: _____

Derived from Balance Sheet (attached) as of: _____

	1	2	3	4	5	6
	Beginning Balance Sheet Position	<i>less</i> Intangible Assets ¹	<i>equals</i> Tangible Beginning Position	<i>plus</i> Debits ²	<i>less</i> Credits ³	<i>equals</i> Pro Forma Tangible Position
Total Assets						
Total Liabilities						
Equity						
					%Equity =	

¹ Itemize intangible assets:

² Itemize debits:

³ Itemize credits:

Exhibit C: * Supplemental Environmental Information

* A fillable version of this is available by contacting any staff member listed above.

(Note: This information is only needed for B&I projects involving construction.)

Federal agencies are required by law to independently assess the expected environmental impacts associated with proposed Federal actions. It is extremely important that the information provided be in sufficient detail to permit Rural Development to perform its evaluation. Failure to provide sufficient data will delay agency review and a decision on the processing of your application.

This information request is designed to obtain an understanding of the area's present environmental condition and the project elements that may affect the environment. Should you believe that an item does not need to be addressed for your project, consult with the RD office from which you received this form before responding. In all cases when it is believed that an item is not applicable, explain the reasons for this belief.

It is important to understand the comprehensive nature of the information requested. Information must be provided for (a) the site(s) where the project facilities will be constructed and the surrounding areas to be directly and indirectly affected by its operation and (b) the areas affected by any primary beneficiaries of the project. The amount of detail should be commensurate with the complexity and size of the project, and the magnitude of the expected impact.

Provide responses to the following items:

(1) Primary Beneficiaries

Identify any businesses or major developments that will benefit from the proposal, and those which will expand or locate in the area because of the project.

(2) Area Description

- (a) Describe the size, terrain, and present land uses as well as the adjacent land uses of the areas to be affected. These areas include the site(s) of construction or project activities, adjacent area, and areas affected by the primary beneficiaries.
- (b) For each box checked "Yes" in item 3 of Form RD 1940-20, describe the nature of the effect on the resource.
- (c) Attach a detailed street map or topographic map showing the location of the project.
- (d) Attach a plot plan that clearly delineates the location of the project elements.
- (e) Provide photos of the site to be developed, including any structures now on the site, and photos of the surrounding area. Digital photos sent via e-mail are strongly encouraged.

(3) Historic/Archaeological Properties

- (a) Describe any structures that are 50 or more years old on the site and on contiguous parcels. (Be sure to provide photos of these structures.) Discuss any proposed activity that will affect these structures.
- (b) Indicate whether the project is located in the vicinity of a historical district.
- (c) Identify any known historic/archaeological resources within the project area that are either listed on the National Register of Historic Places or considered to be of local and state significant and perhaps eligible for listing in the National Register.
- (d) If available, attach any historical/archaeological survey that has been conducted for the project area.

(4) Public Reaction

- (a) Describe any objections which have been made to the project.
- (b) If a public hearing has been held, attach a copy of any transcript or resolution. If not, certify that a hearing was not held.
- (c) Indicate any other evidence of the community's awareness of the project such as through newspaper articles or public information.

(5) Mitigation Measures

Describe any measures which will be taken to avoid or mitigate any adverse environmental impacts associated with the project.

(6) Permits

- (a) Indicate any current zoning restrictions and the project's consistency with local land use plans.
- (b) Identify any permits which are needed for the project. Identify any city or county planning department that has jurisdiction over your project – i.e., from which a permit must be obtained. Provide the name and phone number of the contact person there.
- (c) Indicate the status of obtaining each such permit and attach any that have been received.

(7) Other Federal Actions

Identify other federal programs or actions which are either related to this project or located in the same geographical area and for which you are filing an application, have recently received approval, or have in the planning stages.

Exhibit D:

B&I Loan Application Flowchart

