

## Our Goal...

Is to stimulate job growth and support a healthy business environment in rural communities by providing loan guarantees that encourage private investment in rural business and industries.

## Benefits ...

### For Lenders

- Provides another tool to expand a private lender's portfolio in rural areas.
- Enables lenders to increase earnings through participation in the secondary market.
- Allows lenders to make loans above their legal lending limits.
- Additional risk mitigation for an otherwise quality credit request.

### For Businesses

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

## For more information, contact ...

**Northeast**  
Thomas Leach  
(218) 829-5965 x111  
thomas.leach@mn.usda.gov

**Northwest**  
John Strand  
(320) 763-3191 x108  
john.strand@mn.usda.gov

**East Central**  
Paul Dornfeld  
(763) 689-3354 x114  
paul.dornfeld@mn.usda.gov

**Southwest**  
Paul Pierson  
(507) 372-7784 x122  
paul.pierson@mn.usda.gov

**Southeast**  
Naomi Lenz  
(507) 437-8247 Ext. 127  
naomi.lenz@mn.usda.gov

**State Office**  
Cheryl Seanoa  
651-602-7813  
cheryl.seanoa@mn.usda.gov

## Visit...

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

<http://www.rurdev.usda.gov/MN-RBS.html>



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United States Department of Agriculture

## Business & Industry Loan Guarantees (B&I)



Striving to support rural communities and enhance quality of life for rural residents by improving economic opportunities, community infrastructure, environmental health, and the sustainability of agricultural production.

# Business & Industry Loan Guarantees

A borrower may be a cooperative, corporation, partnership, or other legal entity organized and operated on a profit or nonprofit basis; an Indian tribe on a Federal or State reservation or other Federally recognized tribal group; a public body; or an individual. A borrower must be engaged in or proposing to engage in a business that will:

- Provide employment;
- Improve economic or environmental climate;
- Promote conservation, development, and use of water for aquaculture; or
- Reduce reliance on nonrenewable energy resources by encouraging the development and construction of solar energy systems and other renewable energy systems.

Individual borrowers must be citizens of the United States (U.S.) or reside in the U.S. after being legally admitted for permanent residence. Corporations or other nonpublic body organization-type borrowers must be at least 51 percent owned by persons who are either citizens of the U.S. or reside in the U.S. after being legally admitted for permanent residence.

## Eligibility...

Loan purpose and requirements must be consistent with those identified in the regulation.

They include **but are not limited to** the following:

- Business and industrial acquisitions when the loan will keep the business from closing, prevent the loss of employment opportunities, or provide expanded job opportunities.
- Business conversion, enlargement, repair, modernization, or development.
- Purchase and development of land, easements, rights-of-way, buildings, or facilities.
- Purchase of equipment, leasehold improvements, machinery, supplies, or inventory.
- Project must be located in a rural area defined as an area with a population of 50,000 or less and not urban in nature.
- Property Eligibility Check Link:  
<http://eligibility.sc.egov.usda.gov>

## Maximum Loan Amounts

- Generally limited to a maximum of \$10 million per borrower
- Some circumstances allow up to \$25 million

St. Peter Food Co-op B&I project.



## Guarantee

Maximum percentage applies to entire loan

- 80% for loans of \$5 million or less
- 70% for loans >\$5 million & ≤\$10 million
- 60% for loans >\$10 million to \$25 million
- (Under limited circumstances guarantees can be up to 90%)

## Maximum Term

- Working capital—7 years
- Machinery & equipment—15 years (or useful life) whichever is less
- Real estate—30 years

## Equity

- Minimum tangible balance sheet equity requirement
  - ☞ 10 percent existing business
  - ☞ 20 percent new business
  - ☞ 25-40 percent for energy projects
- Equity is calculated from GAAP compliant financial statements.
- Feasibility studies may be required.

## Collateral

- Discounted collateral value must be at a minimum equal to the loan request.
- Collateral discounting consistent with sound loan-to-value policy.
- Borrower must be creditworthy and repayment must be reasonably assured.
- Personal & corporate guarantees are required.
- Appraisal reports must meet the requirements of FIRREA or USPAP.