

OneRD Guaranteed Loan Program Business & Industry Guaranteed Loans Lender Checklists

Welcome to the USDA Rural Development OneRD Guarantee Program! We want you to have a positive filing experience and to assist, we have created lender application checklists to help you navigate the process. The following checklist is specific to Business and Industry (B&I) guarantee loan applications within the OneRD Guaranteed Loan Program. While we hope the checklist serves as a useful tool, please know that participating lenders must also be familiar with the program regulation found at [7 CFR Part 5001](#). It is available at the OneRD Guarantee Loan website: <https://www.rd.usda.gov/onerdguarantee>. This website also has a host of other helpful information for lenders. This checklist is not all inclusive, and you are ultimately responsible for being aware of the OneRD Guarantee regulatory requirements. This is an informational guide only and is not required to be submitted as part of your application package.

Applicants are responsible for becoming familiar and ensuring compliance with USDA, Rural Development environmental requirements found at [§5001.207](#). Please [contact the Agency](#) as early in your application development as possible to discuss the environmental process. Starting development activities prior to completion of the environmental process may jeopardize Rural Development's ability to guarantee your loan.

Complete Application for Loan Guarantee ([§5001.303](#) and [§5001.306](#))

Complete applications: The Agency will accept applications on a continuous basis. For each loan guarantee request, you must submit a **complete** application in order to be considered for a loan guarantee. The checklist below is designed to assist you in ensuring that your application is complete. You are encouraged to submit a complete application in a single package; however, the Agency may accept the environmental information required by the Agency and initiate and complete its environmental reviews in advance of receiving a complete application. If an application is incomplete or has not yet been approved by your lending institution, the Agency will notify you in writing of the items necessary to address the incomplete application. Upon receipt of a complete application, the Agency will complete its evaluation.

Required content: You must provide all of the relevant application items as listed in the B&I Complete Application Checklist.

Application modification: Please note that once a complete application is accepted by the Agency and prior to Agency award of a loan note guarantee, any modification to the application will be treated as a new application, and the Agency will process the information accordingly. The submission date of record for a modified application is the date the Agency receives the modified application information.

B&I Complete Application Checklist

	You must be registered in the System for Award Management (SAM) and have received a Unique Entity Identifier (UEI). www.sam.gov	
	Form RD 5001-1 "Application for Loan Guarantee" completed and fully executed	
	Your written credit evaluation conforming to §5001.202 and the Lender's Credit Evaluation Checklist.	
	Environmental information required by the Agency to conduct its environmental review – See §5001.207 and 7 CFR Part 1970 . Contact the Agency early in the process to discuss environmental requirements for the specific loan. For all loans secured by real estate, the following may be required:	
		Phase I Environmental Site Assessment
		FEMA Form 086-0-32 "Standard Flood Hazard Determination Form"
	Required financial statements including:	
		Current balance sheet and year-to-date income statements of the Borrower, dated within 90 days of submission of the <u>complete</u> application.
		Current balance sheet and year-to-date income statements of any corporate guarantor(s), dated within 90 days of submission of the <u>complete</u> application.
		Current personal financial statement of any individual guarantors, dated within 90 days of submission of the <u>complete</u> application.
		Historical balance sheets, income statements, and cash flow statements of the borrower for the lesser of the last three fiscal years or all years of operation. Agency financial statement standards can be found in §5001.9. Tax returns are not acceptable.
		Projected balance sheets, income statements, and cash flow statements/ cash flow budgets or a financial model starting from the current financial statements through a minimum of two years of the project performing at full operational capacity or stable operations.
		Financial projections must be supported by a list of assumptions showing the basis for the projections.
		A pro forma or projected balance sheet as of the date of loan closing that reflects any new assets acquired and/or new debt including the new guaranteed loan. Please include details of pro forma Additions/Subtractions.
		Current financial statements of affiliates.
		The Agency may request additional financial statements, financial models, cash flow information, updated financial statements, and other related financial information to determine the financial feasibility of a project and evaluate the credit underwriting of the borrower, its affiliates, and any guarantors.

	Current, within 90 days, Credit Reports or equivalent on the following:
	Borrower
	Personal or commercial/corporate guarantors
	Any person or entity owning a 20 percent or more interest in the borrower or controls the borrower
	For requests of \$600,000 or greater - A draft loan agreement for the guaranteed loan that addresses each of the following:
	Repayment terms and amortization provisions of the guaranteed loan
	Description of real property collateral, list of other collateral and identification of the lender's lien priority in the collateral
	A list of persons and entities guaranteeing payment of the guaranteed loan and their percentage of guarantee
	Type and frequency of <u>borrower</u> financial statements to be required for the duration of the guaranteed loan.
	Type and frequency of <u>guarantor</u> financial statements to be required for the duration of the guaranteed loan (guarantor financial statements must be updated at least annually).
	Prohibition against borrower assuming liabilities or obligations of others
	Limitations on borrower dividend payments or distributions and compensation of officers, owners and members of borrower.
	Limitations on the purchase and sale of equipment and other fixed assets
	Restrictions concerning mergers, consolidations, or other circumstances including significant management changes and a limitation on selling the business, project, or guarantee loan collateral without the concurrence of the lender
	Maximum debt-to-net worth ratio, when required by the lender
	Minimum debt service coverage ratio, when required by the lender or by the program regulation. See §5001.102(d)(4)(iii) for Agency required minimum debt service coverage ratios when refinancing.
	A reserved section for any requirements imposed by the Agency in its conditional commitment.
	A reserved section for any Agency environmental requirements
	A provision for the lender and the Agency to have reasonable access to the project and its performance information during the term of the guaranteed loan including the periodic inspection of the project by a representative of the lender or the Agency.
	Loan classification and credit risk rating classification scale – See also Block 37 on Form RD 5001-1.
	Real estate appraisals in accordance with §5001.203(c) . Appraisals may be conditionalized. Discuss with your Agency contact prior to submitting your application.
	For construction projects, obtain the “as-is” market value and the “prospective” market value as of the date of construction completion.
	Provide technical review of the real estate appraisal prepared in compliance with USPAP Standards 3 and 4

	Chattel appraisals
	Newly-acquired – A bill of sale may be used to support the value
	Existing – Appraisals are required when its value exceeds \$250,000. Must be conducted by an independent qualified appraiser, must be based on industry recognized standards, and reflect the age, condition, and remaining useful life of the equipment.
	Feasibility Study – The Agency may require a Feasibility Study when the Lender’s written analysis, Borrower’s business plan, or project information is not sufficient to determine the technical feasibility, market feasibility, or economic viability of the project.
	For guaranteed loans greater than \$1,000,000.00 to a new business, a feasibility study prepared by an independent qualified consultant acceptable to the Agency is required. The scope of the feasibility study will be determined by the Agency and is dependent on the complexity of the project and the borrower. Refer to Appendix A to Subpart D of Part 5001 for elements of an acceptable feasibility study.
	For guaranteed loans of \$1,000,000.00 or less to new and existing businesses, the Agency may require a feasibility study when the lender’s analysis or other borrower information is not sufficient to determine the technical feasibility or economic viability of the project, or if the project will significantly affect the operations of a borrower who is an existing business and its historic cash flow.
	Business Plan - Unless the information is contained in the feasibility study or in the credit evaluation, a business plan should be submitted to show how the project will operate and remain viable. This requirement may be omitted when guaranteed loan funds are used exclusively for debt refinancing.
	Copies of organizational documents, organizational charts, and existing debt instruments (if not previously submitted).
	Form RD 5001-12 “ Certification of Non-Relocation and Market and Capacity Information Report,” <u>if the proposed guaranteed loan is in excess of \$1,000,000 AND will increase direct employment by more than 50 employees</u> . The Agency is required to submit project information to the United States Department of Labor for their concurrence.
	If the application is for five or more residential units, including nursing homes and assisted-living centers, submit Form HUD-935.2A - Affirmative Fair Housing Marketing Plan (AFHMP)
	For companies listed on a major stock exchange or subject to Securities and Exchange (SEC) regulation, the most recent SEC Form 10-K “Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 134”.
	Applications for health care facilities must provide a certificate of need if required by Federal or State law.
	Intergovernmental consultation comments in accordance with 2 CFR part 415, subpart C , or successor regulation, unless exemptions have been granted by the State’s single point of contact.
	Form RD 5001-2, “Lenders Agreement” or Form RD 5001-2a, “Multi-State and Non-Traditional Lender’s Agreement” (if not previously approved). <i>There will be only one Lender’s Agreement issued for each lending entity based on their tax identification number. Lender’s Agreements will not be issued for individual branches. Approval under one program is approval for all programs.</i>

B&I Lender's Credit Evaluation Checklist

Lenders must prepare a credit evaluation in accordance with [§5001.202](#). This checklist is provided to assist you in the completion of your credit evaluation. It is not a replacement for knowledge of the regulation in general or 7 CFR 5001, §5001.202 specifically. The Agency reserves the right to review the Lender's credit evaluation and request additional information.

The Agency recognizes that you have a unique format for presenting the credit evaluation within your organization. The Agency does not have a required format. However, use the following as a checklist of your credit evaluation to make sure you have addressed and/or provided the required information. The written credit evaluation must contain, at a minimum, the following:

DESCRIPTION OF:

	Proposed loan, interest rates, and loan terms
	Proposed/existing project
	Lender's history with the borrower, affiliates, guarantors, etc.
	Proposed/existing business. Include organizational charts or descriptions of ownership structure including percentage of ownership
	Guarantors (§ 5001.204). Applications involving <u>guarantor(s)</u> must also include a global debt service coverage analysis of the <u>guarantor(s)</u> including the cash flow of the guarantor(s).
	Affiliates, as applicable. Applications involving <u>affiliated entities</u> must include a global credit evaluation and, if applicable, a global historical and projected debt service coverage analysis. Definition of affiliate can be found in §5001.3 .

REVIEW AND DISCUSSION OF:

	Business Plan, if applicable
	Feasibility Study, if applicable
	Technical Report, if applicable
	Architectural or Engineering Documentation, if applicable
	All applicable contracts, management agreements and leases per §5001.202(a) .

EVALUATION OF CREDIT FACTORS:

Provide a written evaluation on each credit factor documenting the proposed loan is sound:

	Character - see §5001.202(b)(1) for information on this topic
	Capacity - see §5001.202(b)(2) for information on this topic
	Capital - see §5001.202(b)(3) for information on this topic
	Collateral - see §5001.202(b)(4) for information on this topic
	Conditions - see §5001.202(b)(5) for information on this topic

DISCUSSION OF FINANCIAL STATEMENTS:

	Provide spreadsheets and analysis of borrower’s historic, current, and projected financial statements (including assumptions provided for projections) with appropriate ratios and comparisons with industry standards (such as the Risk Management Association, Dun & Bradstreet, or other recognized industry standard).
	Provide an operational cash flow analysis on a quarterly basis <u>for projects with a seasonal cash flow cycle</u> .
	Provide an operational cash flow analysis on a quarterly basis through startup or occupancy <u>when the loan note guarantee is requested prior to construction completion</u> . Include a construction budget and schedule and indicate whether the quarterly construction costs are being provided by the guaranteed loan, borrower equity, or other sources.
	Applications involving corporate guarantor(s) must include a global debt service coverage analysis of the corporate guarantor(s) including the cash flow of the guarantor(s).
	Applications involving guarantors should provide an analysis of the guarantor financials and credit history, including an assessment of the ability of the guarantor to support the project, if needed.
	Applications involving affiliated entities must include a global credit evaluation and, if applicable, a global historical and projected debt service coverage analysis.

DISCUSSION OF STRENGTHS AND WEAKNESSES:

	Address and describe financial or other credit strengths.
	Address and describe financial or other credit weaknesses and risk mitigation measures for the borrower.

Capital and Equity Requirements for B&I Loans (§5001.105)

With the OneRD Guarantee Loan regulations, the Agency no longer has a tangible balance sheet equity requirement. Borrowers and Lenders have several options to meet the equity requirements, as outlined in the regulations.

Table 1 to [§5001.105\(d\)](#) – Capital Equity Requirements Summary
Borrower must meet one of the following at the time of the closing of the guaranteed loan:

Borrower	Percent balance sheet equity:	Borrower investment as percent of total eligible project cost:	Balance sheet equity includes owner contributed capital as percentage of total fixed assets:
Existing Business	≥10%	≥10%	≥10%
Borrowers that are new businesses with sales contract(s) adequate to meet debt service and the term of the sales contract(s) are at least equal to the term of the guaranteed loan.	≥10%	≥10%	N/A
Borrowers that are new businesses for a project involving construction and the lender will request the loan note guarantee prior to completion of construction.	≥25%	≥25%	N/A
All other borrowers that are new businesses.	≥20%	≥25%	N/A