



Rural Development

April 6, 2022

Rural Business—Cooperative
Service
Office of the Administrator
1400 Independence Ave, SW
Room 5801-S
Washington, D.C. 20250

To: Food Supply Chain Guaranteed Loan Program Eligible Lenders

From: Karama Neal, PhD
Administrator
Rural Business-Cooperative Service

Re: Variable Interest Rate During Construction for Food Supply Chain
Guaranteed Loan Program

The purpose of this memo is to provide clarity and issue supplemental guidance to the Notice of Funding Opportunity for the Food Supply Chain Guaranteed Loan Program, **Section B. Federal Award Information**, (b) *Percentage of Guarantee* published in the Federal Register on December 9, 2021.

The paragraph referenced above states that “The percentage of guarantee will be 90 percent for loans with a fixed interest rate on the guaranteed portion of the loan and for which the interest rate does not exceed the current Wall Street Journal prime rate plus 200 basis points (WSJ plus 200). All other loans shall be guaranteed at 80 percent.”

The Agency will permit lenders to have a variable interest rate for all construction projects in the Food Supply Chain Guaranteed Loan Program during the construction period only. The construction period shall be defined by the lender applicant in its Application for Loan Guarantee and will be included in the Agency’s attachment to the Conditional Commitment for Loan Guarantee to be signed by the lender applicant.

To remain eligible for a 90 percent guarantee, the promissory note(s) interest rate shall not exceed the current WSJ plus 200 and shall not adjust more than quarterly during the construction period. At the conclusion of the construction period, the promissory note(s) shall revert to a fixed interest rate not to exceed WSJ plus 200. Should construction end prior to the end of the defined construction period, the lender must lock the borrower’s rate on the guaranteed portion of the loan at a fixed rate that does not exceed the current WSJ plus 200 to remain eligible for the 90 percent guarantee percentage.

Any request to extend the defined construction period to maintain eligibility for the 90 percent guarantee percentage must be submitted to the Agency in writing and must be approved by the Agency.

If there are any additional questions regarding this policy, please contact Aaron Morris, Director of Guaranteed Lending, at aaron.morris@usda.gov.