



Committed to the future of rural communities.

Business & Industry (B & I) Loan Guarantees

Eligible Purposes

Rural Development can guarantee quality loans made by private lenders to business and industry involving manufacturing, wholesale, retail, and services. Projects must involve the creation and/or saving of jobs. The purpose need not be agriculturally related. Loan purposes can include real estate, machinery and equipment, or term working capital.

Ineligible Purposes

Charitable institutions; churches and fraternal organizations; lending and investment institutions; insurance companies; agricultural production, race tracks, golf courses, and revolving lines of credit.

Eligible Applicants

Individual, sole proprietorship, partnership, corporation, cooperative, trust or other legal entity organized and operated on a profit or non-profit basis, a municipality, county, or other political subdivision of a State.

Eligible Areas

Incorporated communities under 50,000 population and not adjacent to urban areas. Check applicant location eligibility at <http://maps.ers.usda.gov/loanlookup/viewer.htm>

Eligible Lenders

Must be a local regulated lender such as any federal or state chartered bank, savings and loan association, building and loan association, or some mortgage and insurance companies

Maximum Loan, Rates, & Terms

Maximum of \$10,000,000 (\$25,000,000 under limited circumstances) and preference given to loans \$5,000,000 and under. Loans under \$500,000 should usually be referred to the Small Business Administration (SBA). Interest rates (fixed or variable) and terms (maximum 30 years) are negotiable between the lender and borrower subject to approval by Rural Development. Generally, personal guarantees will be required.

Borrower's Equity

A new start-up business must have proforma tangible balance sheet equity of 20 percent (appraisal surplus and subordinated debt will not be included as equity items). Borrowers with a history of proven successful operations must have a minimum of 10 percent tangible balance sheet equity. Larger amounts may be required.

Collateral

The collateral for the loan must be sufficient to protect the interest of the lender and USDA. The discounted collateral value must be at least equal to the loan amount. Exceptions could be considered for businesses which are primarily cash flow oriented and the cash flow is supported by a successful and documented financial history.

Guarantee

The maximum percent of guarantee is normally eighty percent (80%). A one-time guarantee fee, equal to two percent (2%) of the guaranteed portion of the loan, is due at the time the guarantee is issued. For guarantees approved in FY 06, a Renewal Fee of 0.125% will be charged on the guarantee portion of the principal balance as of 12-31 of each year.

Inquiries

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**Rural Development is an Equal Opportunity Lender, Provider and Employer.
Complaints of discrimination should be sent to:
USDA, Director, Office of Civil Rights, Washington, D.C. 20250-9410**

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