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BUSINESS AND INDUSTRY GUARANTEED LOANS (B&I)

The purpose of the B&I Guaranteed Loan Program is to improve, develop, or finance business, industry, and employment and improve the economic and environmental climate in rural communities. This purpose is achieved by bolstering the existing private credit structure through the guarantee of quality loans which will provide lasting community benefits. It is not intended that the guarantee authority will be used for marginal or substandard loans or for relief of lenders having such loans.

How does the B&I Guaranteed Loan Program compare to the Rural Energy for America Program Guaranteed Loan and Grant?

To assist you in determining which program best fits your needs, this [comparison chart](#) identifies the programs' common and distinct requirements in an easy to read format.

Who May Borrow?

A borrower may be a cooperative organization, 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:

1. Provide employment;
2. Improve the economic or environmental climate;
3. Promote the conservation, development, and use of water for aquaculture; or
4. 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. B&I loans are normally available in rural areas, which include all areas other than cities or towns of more than 50,000 people and the contiguous and adjacent urbanized area of such cities or towns.

How May Funds be Used?

Loan purposes must be consistent with the general purpose contained in the regulation. They include but are not limited to the following:

- a. Business and industrial acquisitions when the loan will keep the business from closing, prevent the loss of employment opportunities, or provide expanded job opportunities.
- b. Business conversion, enlargement, repair, modernization, or development.
- c. Purchase and development of land, easements, rights-of-way, buildings, or facilities.
- d. Purchase of equipment, leasehold improvements, machinery, supplies, or inventory.

What is the percentage of Guarantee?

The percentage of guarantee, up to the maximum allowed, is a matter of negotiation between the lender and the Agency. The maximum percentage of guarantee is 80 percent for loans of \$5 million or less, 70 percent for loans between \$5 and \$10 million, and 60 percent for loans exceeding \$10 million

What are the Loan Amounts?

The total amount of Agency loans to one borrower must not exceed \$10 million. The Administrator may, at the Administrator's discretion, grant an exception to the \$10 million limit for loans of \$25 million under certain circumstances. The Secretary may approve guaranteed loans in excess of \$25 million, up to \$40 million, for rural cooperative organizations that process value-added agricultural commodities.

What are the Loan Terms?

The maximum repayment for loans on real estate will not exceed 30 years; machinery and equipment repayment will not exceed the useful life of the machinery and equipment purchased with loan funds or 15 years, whichever is less; and working capital repayment will not exceed 7 years.

What are the Interest Rates?

The interest rate for the guaranteed loan will be negotiated between the lender and the applicant and may be either fixed or variable as long as it is a legal rate. Interest rates are subject to Agency review and approval. The variable interest rate may be adjusted at different intervals during the term of the loan, but the adjustments may not be more often than quarterly.

Is Collateral Required?

Yes. Collateral must have documented value sufficient to protect the interest of the lender and the Agency. The discounted collateral value will normally be at least equal to the loan amount. Lenders will discount collateral consistent with sound loan-to-value policy.

Annual Renewal Fee?

The annual renewal fee is paid once a year and is required to maintain the enforceability of the guarantee as to the lender.

The rate of the annual renewal fee (a specified percentage) is established by

Rural Development in an annual notice published in the Federal Register, multiplied by the outstanding principal loan balance as of December 31 of each year, multiplied by the percent of guarantee. The rate is the rate in effect at the time the loan is obligated, and will remain in effect for the life of the loan.

Annual renewal fees are due on January 31. Payments not received by April 1 are considered delinquent and, at the Agency's discretion, may result in cancellation of the guarantee to the lender. Holders' rights will continue in effect as specified in the Loan Note Guarantee and Assignment Guarantee Agreement. Any delinquent annual renewal fees will bear interest at the note rate and will be deducted from any loss payment due the lender. For loans where the Loan Note Guarantee is issued between October 1 and December 31, the first annual renewal fee payment will be due January 31 of the second year following the date the Loan Note Guarantee was issued.

Where Should Applications be Filed?

Complete applications should be sent to the USDA Rural Development State Office for the project location. A list of offices and additional information can be obtained at http://www.rurdev.usda.gov/recd_map.html.