

## USDA (B&I) Loan Guidelines

The B&I Guaranteed Loan Program improve, develop, or finance business, industry, and employment and improve the economic and environmental climate in rural communities. Projects are secured by a 1st Deed of Trust/Mortgage on General and Special Purpose commercial real estate, meeting USDA qualifications, having a maximum Loan to Value of 80%, depending on program parameters.

A borrower must be engaged in or proposing to engage in a business that will:

- Provide employment;
- Improve the economic or environmental climate;
- Promote the 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.

Borrower eligibility is fundamental with a few disparities from the SBA; the borrowing entity must reside in a community (MSA) of 50M or less and the borrower must have tangible balance sheet equity at the loan closing of no less than 10 – 20% for existing businesses, 20% for new businesses, and 40% for energy or bio-based businesses.

### USDA B&I Eligible Use of Proceeds:

- Purchase and development of land, easements, rights-of-way, buildings, or facilities.
- Business conversion, enlargement, repair, modernization, or development.
- Purchase of equipment, leasehold improvements, machinery or inventory.
- To refinance existing business indebtedness that is not already structured with reasonable terms and conditions.
- Business and industrial acquisitions when the loan will keep the business from closing, prevent the loss of employment opportunities, or provide expanded job opportunities.

### USDA B&I Rates/Fees:

- Interest rates are generally adjustable based, tied to the Prime Index. Maturities up to 30 years are available, based upon the use of funds. Usual and customary fees are permitted and the USDA collects up to a 2% guarantee fee. A 0.25% renewal fee is assessed annually based on the outstanding principal balance.

### Product Summary

#### Eligible Property Types:

- **Office:** Professional, Condominium, Medical, Dental and Veterinarian.
- **Industrial:** Heavy and Light Manufacturing, Warehouse and R&D Flex.
- **Retail:** General.
- **Special Purpose:** Assisted Living Facilities / Adult Care, Day Care Facilities, Restaurants, Funeral Homes and Hotels/Motels.

#### Maximum Loan Amount:

- 1st DOT/Mortgage – \$4,000,000.

#### Rate Option:

- Prime Based Quarterly Adjustable.

**Maturity and Amortization:**

- Real estate – Up to 30 Years
- Equipment acquisition – Up to 15 Years
- Permanent working capital – Up to 7 Years

\*\*Blended Maturity and Amortization applicable.

**Maximum LTV:**

- Real estate – Up to 80% LTV
- Equipment acquisition, Permanent working capital & debt refinancing up to 60% LTC fully collateralized.

**Minimum Debt Coverage Ratio:**

- 1.25x Minimum Debt Coverage Ratio (“DCR”) for the most recent FYE and Interim period. The DCR will be based on the underwritten EBITDA of the Small Business Concern.

**Borrower /Guarantor Characteristics:**

- Prior Ownership and Management Experience.
- Minimum FICO 665.

**Recourse:**

- All loans are Full Recourse and require the personal guarantee of any and all individuals or entities holding 20% ownership interest or more.

**Loan Limitations:**

- **Debt refinancing:** The refinancing must create new jobs or secure existing jobs (e.g., by improving cash flow).
- **Transfers of ownership:** Acquisitions are only eligible if they create new jobs or prevent job loss.
- **Commercial lease projects (retail centers, office buildings, industrial facilities, etc.):** Needn't be owner-occupied, but must have enough committed tenants to break even.

**Construction Financing:**

- Available for Multi-Purpose Projects. Please call for Program Information.