



## USDA Business & Industry Loan Guarantees

### Overview

USDA 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.

### Benefits

Loan guarantee program similar to SBA for large projects located in small communities.

### Eligibility

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://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

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.

Eligible Project Costs: real estate and construction, purchase and installation of equipment, and term working capital.

### Rate/Terms

Maximum of \$10,000,000 (\$25,000,000 under limited circumstances) and preference given to loans \$5,000,000 and under. Loans under \$200,000 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.

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.

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.

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. A Renewal Fee of ¼ % will be charged on the guaranteed portion of the principal balance as of 12-31 of each year.

### Contact

Youngstown/Warren Regional Chamber at 330.392.6140 or  
USDA Rural Development Offices at 330.830.7700 or 614.255.2420.

*This summary is prepared as a reference, and should not be construed as the actual law. For more information, contact the Youngstown/Warren Regional Chamber.*