

B&I CARES Act Program Webinar for External Stakeholders

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Good afternoon, my name is Mark and I am the Acting Administrator for the Rural Development, here with USDA. I welcome you to our seminar on the CARES Act. We have a few in the audience connecting but we will roll with introduction comments and have them catch up as we go forward. To kick off the agenda today what I would like to do is first of all introduce Betty Brand, that she serves as the deputy undersecretary for USDA Rural Development and came to us after 35 years of experience with the farm credit of Virginia where she served as a chief advocate for cultural industry, rural businesses and supporting at the state and national level. Since her arrival here in 2018, Betty has focused on the rural development's mission on supporting rural America with the commitment to improving quality of life for rural communities along with increasing access to capital and a strong focus on effective and mission customer service. In the short term, Betty has led initiatives and memorandum of understanding with the Department of Energy and Small Business Administration. These collaborations between departments enabled greater synergies between government agencies and increased our successful outcomes with the programs and services. Betty continues to lead our mission-critical priorities and strategies focusing on effective delivery on USDA Rural Development programs. Opening remarks and introductions are on the United CARES Act program.

Thank you, so much Mark. It is a pleasure to be here on the call with you and I must say that it is an incredible team here at USDA Rural Development , this program is standing up so quickly and now the outreach that is being done to make sure that our rural communities, producers and customers know about this program has really -- the team has been remarkable and getting it taken care of, making it available in communicating to everyone to be able to be sure that everyone has access. Not only do we have lenders on this call, and producers but also community leaders participating today and I wish we could be together in person, however we are not able to do that for a number of reasons, but it is still great to be on the call and communicating. In the meantime, technology does enable us to get the job done and I just want you to know that we are getting it done. Not just in this program but other areas so that we can really help make an impact and improve the prosperity of rural communities. I will say there are over 700 people on the call so far today, I think it will be close to 1000 that are registered, and it is great to see so many different groups across the country joining in addition to lenders and producers on the call, is great to see that there are state and local governments, nonprofits, and businesses all joining us today to learn more about this program. I want to let you know that this is about the sixth or seventh webinar we have hosted and we have one more at least tomorrow. Thank you for participating and allowing us the opportunity to share with you the information about the program. If you've worked with us before in Rural Development and part of the family, you are probably familiar on how we support the economy and quality of life in farming communities and America's small towns. Some of you on the call maybe a new lender, a new organization, or maybe a producer because it is not typical for us to be able to finance producer loans. Mark and

team will get into more explanation on that. You may be new to our programs and we are excited to be able to share a little bit about what we do and we want to give you a really special welcome and a quick 30,000 foot view of the work that we do here at Rural Development. Our mission is to help improve the economy and the quality of life in rural America through financial support and investment in business and economic development, community facilities, housing, and infrastructure which includes water, electricity and broadband. The new loan guarantees under the B&I CARES Act supports this. A little more than a week ago, providing this much-needed capital in unprecedented times is a cornerstone of our commitment, to all aspects of the rural economy. As it was said and on behalf of the Rural Development team, I want you to know we have worked tirelessly beside you to put this critical funding to work as soon as possible. Together, this work will result in over \$1 billion in loan guarantees leveraged to positively impact our rural economy. I know how much your communities need this help. Most of us that work for Rural Development either live in or grew up in the areas that we support. We take our work personally and it means a lot to us. This is a challenging time for our country and your Federal government has taken unprecedented steps to help Americans through this economic devastation of the COVID-19 pandemic. The CARES Act did not forget rural America and I commend Congress for channeling this critical support through our office. It is what we are made to do. So now I will turn things back over to Kate to dig into the details and thank you for having me here today.

Thank you, Betty. We are glad to have each of you joining us today. A couple of housekeeping things, you've entered this webinar with all participant phone lines muted, we encourage you to ask questions using the chat box located at the bottom right of your screen. We will address those questions during the closing Q&A sessions, any questions we are not able to address today will be answered through email follow-up. Within 48 hours you will receive an email with the link to access both the webinar recording and the PowerPoint. Thank you again for taking time to join us, and back to you, Mark.

Thank you, Kate. That was a great welcome and opening. In framing our agenda today, I may reflect some of Betty's comments, this focuses on the Business and Industry CARES Act program. We have our standard and regular program which is the B&I program, and then the second one that we will talk about is the B&I CARES Act program. These programs are within the rural business, at the end we will provide you a couple of resources, web links and other information. If you are interested in other programs and activities that Betty may have mentioned across other economic developments in supporting programs and what not, feel free to of course check in on our links, websites, and we will provide you some resources on how to connect to our field office structure. Today we will focus on the business and industry CARES Act program and start off with a couple of comments when it relates to the current B&I program. They are related but still different. Most of our conversation will be focused as the business and producer's level. We know we have some lenders and bankers on the call, the program is a guaranteed loan program and the guarantees are of commercial loans. Obviously, the applicant's or client to us is the lender, so lenders, if you have more questions around the actual loan side, more provisions, we do have a lender webinar scheduled for tomorrow and a couple that are already recorded. We are available to engage further in that discussion. But today it will be more of a business level discussion moving forward. A quick overview of the B&I programs, again this is the standard traditional program. The program now is almost 50 years old, started in the early 70s. The program typically would focus on guarantees of commercial loans for longer-term loans such as real estate, buildings and improvements, maybe equipment and related machinery. But generally the loans would be longer-term and a fixed asset type loans. The B&I CARES Act program will not focus on those activities but solely on working capital. So basically providing guarantee on a loan that is made with loans for operating purposes, and we will drill into little more detail on what we mean about that in the provisions of the program. The general B&I program and this also applies to the B&I CARES Act program, is available to any ownership structure that can operate a business or enterprise. So most of the clients within the business and

industry program are for-profit organizations organized as sole proprietors, partnerships or LLCs or other corporations. We could even include loans to publicly traded companies, we do not have size restrictions, it can be any and all sizes of businesses and business activities. A nonprofit organization, public bodies, are also eligible. You have to operate an enterprise. It could be healthcare facility, educational facility or other services that generate revenues. Those types of entities are also eligible for the program along with cooperatives. Within the B&I program construct we refer to producers as businesses. So this does not state and Ag producer but they are of eligible. Eligible lenders, again our program offers guarantees on a loan for a commercial lender. In this program, lenders that are banks that have federal or state charter, are servicing loans, Farm credit system banks, and credit unions, basically institutions that are under some type of supervision or oversight of a federal or state agency are automatically eligible lenders in the program. Basically that means they do not need to submit an application to become qualified first, they simply need to submit an application on behalf of their borrower for the program. We will collect information as we need as we roll through the application. So in reality, what that means is that while we have a large portfolio of lenders already active in the B&I program, for the B&I CARES Act program, about any lender is eligible for the program, so I highly encourage if you are interested in the program, working with your lender and if they are not familiar with the program, introduce them to us and the program and we will help them through the application process. A couple of things to focus on the provisions themselves, with this slide, I am clicking a little too fast here. The B&I CARES Act program was stood up by the CARES Act in mid-March, they funded with 20 billion budget authority which supports about 1 billion, I mean \$1 billion in lending authority. The program will be available not to exceed the end of September 2021, however funds could be utilized prior to that, but the maximum life of the program is September 30, 2021. We published some rules regarding the program on May 22, so a week and a half ago along with the notice which scopes and opens the application period and process. We will provide the links at the end of the program. A couple of highlights, on this slide I will show several bullets and highlight the main differences between the B&I program and the B&I CARES Act program. The B&I CARES Act program, the use of the loan from the lender must be for working capital purposes and we will provide more detail on that. In short it is anything that would typically qualify as an operating expense for the business. It would also include principal payments for any outstanding loans along with costs associated with recovering from the pandemic. For the lenders out there, a loan has a 90% guarantee so we will offer a 90% guarantee on the base amount of the loan, we do charge a 2% guarantee fee and we also have a renewal fee that we will show you later. In essence, what the guarantee does from guarantees the lender from a loss, and insures the lender of 90% of the loan amount. The program does expand its eligible purposes, typically the business and industry program cannot finance Ag production as a standalone business activity. However the B&I CARES Act extended that to include agriculture production as a sole business purpose. Agriculture producer could apply to their lender and the lender would obtain a guarantee when the loan proceeds are being used for working capital, including for Ag production. The terms of the working capital loan, are not to exceed 10 years of repayment terms, that is a little bit longer than what we typically would do for a working capital loan. The standard limits to seven years but the B&I CARES program extends up to 10 and could include up to three years of principal deferral and seven years of repayment of principal and interest repayment. We have capital and equity requirements, mainly this is submitting information that the lender would help you qualify for. We will not get into a lot of detail on that but we also have collateral requirements, again we will provide an overview for your insight as to the requirements. We will use examples. This shows a maximum loan of 25 million, that is an absolute but we have a couple of other caps that we need to look at as far as the borrower and keep in mind the absolute max is 25 million of a loan amount. Again, for the lenders in the room, the cares act provides 90% guarantee on the loan, we have 2% guarantee fee which is a one time fee paid at the loan origination. And then we have a 50 point renewal fee based on the unpaid principal balance as of 12/31 of that year, and that renewal fee is due in January, the following year. A couple of highlights here, that B&I cares act eligibility which is referred back to our regulations quite frequently, I will provide links for that as we wrap up this presentation. But again, all eligible borrowers that are eligible for B&I program are eligible for B&I CARES Act and we do consider Ag producers eligible. As a rural business. Adding on to the B&I CARES Act, they must have been in operation as of

February 15 of 2020, so they cannot finance a startup. With that I am going to turn over to David Chestnut who is our branch chief who is leading and sponsoring the paper side of this. Standing up the provisions, the guidance, working with our field team and understanding the program, he will walk through the provisions as we move forward, David, turning it over to you.

Very good, thank you. Thank you everyone for joining us, we are now over 800 people in our audience and we certainly wanted to get this message out as broadly as possible. Just to go over a little bit of what Mark talked about, any legal entity is an eligible borrower under the B&I CARES Act program. The rural development mission is to serve rural communities so there is a threshold that the business must be located in a rural area. Which would generally be defined as an area not located in a city with a population of 50,000 or greater or an urbanized area. If you have questions on the rural area aspect of this program, we do have a map finder on our website that you can check if you feel you are close to an urbanized area that you may or may not be eligible for Rural Development programs. We encourage you to go to the website, but if you are out in the middle of Wyoming, I would assume you can very much consider yourself rural. We will go over a couple of things, again as Mark stated, these B&I program loans are only for working capital, the purpose for the loan proceeds must be used to cover the cost of a business to prevent, or respond to the coronavirus pandemic. So we want you to look at essentially where your business is now, where you will end up in the future as far as getting back into business as the normal or new normal, as to where it is now. We want these folks to simply look at activities that you are currently undergoing due to the recovery of the pandemic. Working capital, we in the B&I don't get into agriculture production normally, but independent agriculture is eligible under the CARES Act program. The exception is they are eligible for this program, if they are not eligible for the Farm Service Agency which is our sister agency, under their guaranteed loan authority or otherwise it is ineligible for an FSA loan. As an example, there is a loan limit of \$1.776 million to any agricultural producer. If they need working capital needs, of \$2 million for example, we know that that loan is not eligible for the FSA program so they would come to the B&I CARES Act program. We do not restrict anyone from going to FSA, if you have a great working relationship with them, we encourage you to continue that but actually going to FSA first or in conjunction with B&I CARES Act program loans is not a requirement of that program. Eligible uses, working capital expenses, this is your wages, salaries, healthcare benefits, employee benefits, insurances and we also include principal and interest payments on any existing loans that the business has. These are payments that you need during the pandemic recovery to get your business again back to its normal operating standards. We do not however allow any B&I CARES Act proceeds to go to any payments towards owner or stockholder debt or any related third-party debts. We do allow payments on loans and proceeds to go towards any rent, mortgage payments, routine maintenance on the building, and things of that nature. That is a working capital expense, again, we want to cover a business's working capital cost to respond to and recover from the coronavirus pandemic. As mentioned earlier, this is working capital proceeds to get a business from where they are now, to full production to continuing to operate as a sustainable business going forward. Other eligible uses include taxes and utilities, business inventory. Ag producers with the production expenses can be your inventory, feed, seed, fertilizer, chemicals, livestock and of course your labor cost of getting through the working capital period from here. We also, Mark mentioned the loan fee is a 2% guarantee fee of the guaranteed amount. That is an eligible expense that can be included in the program loan and loan related expenses. That would be if you needed to obtain an appraisal on your collateral or do anything related to the loan, they can also be included in the eligible use of B&I CARES Act proceeds. In eligible loan purposes, we do have a list of an eligible proceeds in our regular B&I program and have citation here, 4279.117 and there are a variety of ineligible purposes that we are not able to make loans to. We are not allowed to make any loans for businesses involved in illegal substances, and I will just go out and say any marijuana dispensary at this moment would not be an eligible borrower for the federal government programs. You are not allowed to make any acquisitions of businesses, you are not allowed to make any fixed asset purchases such as land, building or equipment or other capital expenses. But again this is a working capital only program, we will allow some debt

refinancing but there is a provision that any such debt must be for debts incurred after February 15 of 2020 and also for eligible purposes. So if there were working capital expenses, after February, those would be eligible to be refinanced under the B&I CARES Act program. Mark talked about maximum loan amount. We do have, he mentioned a couple of ways that we talked about maximum loan amount, we have a hard statutory cut off that any one borrower may not exceed \$25 million in B&I loans, that includes the CARES Act program loan amount. That is the aggregate of all of the loans, so we may have existing businesses out there that are currently a B&I borrower, the total of any regular program funds and B&I CARES Act program funds cannot exceed that amount. The loan amount, we want businesses to forecast the amount of funds that they will need to recover from the economic impacts of the COVID-19 pandemic. We are not stating how long it will take because it is a case-by-case situation for your particular business. Maybe a year, it may be shorter or longer but essentially, what amount is needed for business revenue to recover and they're stable and sustainable and able to have standard and normal revenues. Lenders are there to assist any businesses with this calculation. We need to look at what revenues you are expected to receive and what are your working capital expenses while you recover. We fully anticipate that the expenses you need going forward will be reduced over time if your revenues increase. Especially with the recovery of the economy. To calculate where our maximum loan amount is, there are two calculations that are important. We do a test to see what the maximum amount of the B&I CARES Act program loan amount would be, it's 12 times the borrower's total average monthly working capital expenses. And then we deduct the amount of any SBA loans or PPP loans, the payroll protection act loans or Federal assistance that has been received to cover working capital or any COVID-19 related expenses. In essence we are not double dipping on any federal programs but using this as a calculation to determine the maximum amount eligible for your business under the B&I CARES Act program. This is not necessarily the amount you may need to borrow. The second calculation is the most important of these calculations and that is the lower part here; that the loan would be based on a cash flow analysis and not greater than the amount needed to cure problems caused by the emergency. So when we calculate that amount, that is the amount we want you to borrow. We do want you to know that we understand projections are not always met exactly. So if a business, if we were to calculate a maximum eligible amount based on the average working amount of the business, you were to make a forecast about what you need and you find that you do need additional, if there is room between what you have borrowed from the B&I CARES Act program and what we calculated as your maximum eligible, we can do a second loan to get you back through the pandemic. As long as the total does not exceed the maximum eligible amount per our average working capital amount calculation. I want to show you a chart of how you can calculate if a business has for example \$100,000 in average working capital expenses each month, times 12 is 1.2 million. And if they receive a 250,000 SBA PPP loan, then the maximum amount would be \$950,000. I want to talk a little bit about the loan itself, the loan from your lender, the proceeds must be dispersed through multiple draws on an as-needed monthly basis. We will not stipulate that they be in exact same amount or what they are during the duration of your recovery. As mentioned before, the amount that you need to supplement your revenues to cover your working capital expenses while you recover should decline over a period of time. You will negotiate this with your lender as it relates to the multiple draws required. You are not allowed to make a full and complete disbursement of all of the loan proceeds at loan closing. We want you to use these on a monthly basis or as needed to recover from the coronavirus impacts. All loans are set up to have a 10-year maximum repayment term. Generally in our regular B&I program, the maximum loan term for working capital purposes is seven years. And we are looking at a 10 year maximum on the B&I CARES Act program loans and we are also allowing payment deferrals on those loans. We can defer interest payments for up to 12 months from loan origination and we can also defer principal payments on B&I CARES Act program for up to three years. In essence as the business recovers, we will not put additional working capital burden on them by requiring payments of principal and interest the first year. Then the second year the business would be required to pay interest payments on the balance outstanding and start principal repayment after three years. All loans must be fully amortized by 10 years, we do not allow any balloon payments in our loans. At the time of application, the business should let the lender know and the lender will let the Agency know what the payment terms are including any negotiated payment deferrals requested by the borrower. All of our B&I loans

can be a fixed or variable rate. The interest rate is negotiated between the lender and the borrower. In the application that that lender submits to the agency, they will let us know what the interest rates are on that particular loan. We do let the lenders know that the interest rate cannot adjust more frequently than quarterly for the term of these loans. All of our B&I CARES Act loans must be secured, and the businesses must have equity and a positive equity balance in their business. We have 10% balance sheet requirement. So if you look at your business balance sheet, in essence you will take the total assets minus the total liabilities to come to an equity amount. If it is more than 10% than your business assets, then you have met the equity requirements of the B&I program. This is one thing that we do have, we have three different ways of calculating equity. If you are a lender or you have questions, we can address those on a case-by-case or business by business basis. We look at 10% of total fixed assets or contributing 10% or more to the total project cost. In the example where there is a million two of need and got a PPP loan, that could be considered of contributed capital to the project if you had a PPP loan, and then meeting the capital equity requirements of the program. And I think I am going to turn this over and I know we have some questions in there, so will turn it over to Aaron Morris, I believe, or I guess I will turn it over to Mark who will go over a couple more slides.

Aaron will speak to the application process but before, I will wrap back through and highlight some of the comments and provisions that David just gave you to address broadly some of the types of questions coming through. Again, as a highlight, the borrower can be any legal form of a business structure, sole proprietorship, partnership, LLC, Corporation, any legal structure is eligible. It could be for-profit, nonprofit or public entity, as long as you are operating some type of enterprise. We are putting emphasis on Ag production, that is one eligible purpose, working capital loans to support production. While we are USDA, we do not solely work on agriculture. It could be related to other Ag businesses, processing or servicing or it could be non-traditional or other businesses would qualify, It could be Energy sector, hotels, restaurants, any business service in a rural community is eligible. David mentioned there are a few types that are not eligible, very few, mainly housing, rental housing, partner housing are not eligible for B&I. Golf courses are not eligible. But any other business purpose would be an eligible purpose within the B&I program. The loan itself, David went through the application having to document the need for the funds, and knowing that the maximum that a business could borrow is really 12 months of operating an eligible cost of working capital costs, the 12 month figure would assume that the working capital loan is paying 100% of the cost. Hopefully, businesses are generating some revenue and income and will not need to borrow 100% of working capital cost month to month. So the loan amount could be utilized over a period of more than 12 months. Let's say you needed 18 months of some type of support, for your working capital loans, maybe it is only 10% of your cost at the tail end of that, but still it could be that the loan funds could be drawn over a period of longer than 12 months. It could be a couple of months or much longer depending on the business and your need for the working capital purpose. So I just wanted to rephrase some of the comments to offer some broad perspectives on questions. Why don't we roll through the application process a little bit and then we will have Kate and our facilitator walk-through and pick up more the questions that we've not addressed yet. We have a lot of questions coming in, we will not get to all of them but we will try to cover as much as we can. Aaron, this is you on the application process.

My name is Aaron Morris I am the director of guarantees and the programs here at USDA cooperative service. Now that we gave you the guide rails to how to review the policies behind the program now it is time to apply for B&I CARES Act loan. The lender is the applicant in this program. Borrowers are working with lenders, lenders are receiving the loan note guarantee. Lenders can apply through our state offices, the best part I think about rural business services is our delivery system and it is localized with 47 state offices and their areas. And that allows our customers not to have to go far to get service through our agency. Those applications will be received through the state office. The agency you will consider applications on a first come first serve basis. However, funds become

limited towards the end of the funding cycle, and that is September 30, 2021. We could assign priorities to some those applications as they come in. Those priorities would include criteria that includes population, loan features, whether it is a high-impact business investment or other administrative priorities assigned at that time. We will make sure that there is ample notice for both lenders and borrowers prior to us having to assign priority if on this funds should become limited. For the purpose of agriculture production, for the B&I CARES Act program, we limited half of the total funding available to about \$475.5 million. This could change, if there is strong demand for agriculture production guarantee loans, and we will make a notice available should that change. Lastly, those of you who may have already have experience with the B&I program, the answers or maybe you have questions beyond, I guess you can combine a B&I CARES Act loan for working capital with a B&I guarantee program loan, which is the regular program. If you have needs for real estate or other improvements for viable business. The one caveat is that if you are going to apply for both, you have to be able to meet the provisions of both programs. David and Mark outlined the provisions. For each loan would have to meet the provisions of both programs in order to apply. I'll just give you a couple of different resources and links in context of the program, the actual regulation can be found here at this link and I believe we will be making this presentation available for you all after the webinar. It appears the link to the regulation as well as the published register announcing the B&I CARES Act program. Lastly for any other information on all of our programs, you can visit our website. As I mentioned earlier, our delivery system, the network of 47 different state offices, here is the website to those state offices. You can find contact information for each state. Also, USDA's coronavirus response page, please visit that if you need additional information. If you have any questions beyond this webinar, please feel free to reach out to us, points of contact are here on this slide, you can reach out to me, Aaron Morris or to David Chestnut as well. With that I will end my remarks and pass it back over to Kate who will facilitate some Q&A for us to wrap up. Thank you all. Great, thank you, Erin. Yes we do have a lot of questions coming in, is there any potential that these loans will be Forgiven?

I will try to answer questions and if we a need more detail, David and Aaron are ready to help out. This program does not have that forgiveness or any provisions for a reduction of principal or interest. So the rates and terms are established by the lender, are negotiated between the borrower and lender. Generally with the guarantee, the loan is of lower risk to the lender so most lenders will price the interest rate accordingly and offer better than they would at a higher risk loan. While they do not have a forgiveness, the guarantee should offer and its own interest-rate structure. But that has to be negotiated.

If I am a farmer, how would my regular banker and collateral agreement be handled with the B&I loan?

Again, we strongly recommend that Ag producers, businesses with existing loans, with banks or other lenders work with that lender. If you're interested in the working capital loan, they can work with our office on a guarantee for that type of activity. In a sense of structuring existing loans with a new B&I CARES Act loan, depends on the lender on how they want to structure that. We are able to enable the lender to secure the loan with a junior lien position. So we have quite a bit of flexibility on how to structure that but it comes down to the lender themselves, yet multiple lenders involved that maybe have some business agreements, but it is up to the lender how to structure the loan along with existing loans. If for some reason in anexisting lender is not interested, but other lenders are, we can work with the new lender and add that to your analysis and needs. So we have flexibility on how to structure the B&I CARES Act program.

Can all plans apply for this B&I loan?

Certainly, any business structure and most of the structures could be eligible. Processing such as manufacturing are eligible for the program. We have some other questions come in as far as types of agriculture such as hydroponics and again, while it is a USDA program, it does not have to be related to agriculture but it can be. Okay? Can the loans be established on future needs once approved by USDA, be used for draws against working capital needs?

Absolutely, but David, do you want to walk through again on establishing needs? Talk about the draws and how that piece of the program would work?

Yes, thank you, Mark. The B&I CARES Act program is strictly for working capital purposes to get your business back to where it is fully sustainable and profitable. So the draws can be used only for working capital purposes and they are drawn as your business needs them. You can work that out with your lender but you may want to forecast for at least a year out or however long you may think it will take for your business to recover to where you have profitability and cash flow in excess of your expenses. And determine what that amount is, and draw as you need it during that term. So it is a forecast amount; you could work with your lender or chime in with some idea on how much money you need. And then forecast out and make draws compliant with your lender and agreement. I will say also that the lenders out there when draws are made out on these loans, they do not need concurrence of USDA Rural Development. The lenders are in charge of the servicing provisions which includes disbursements. I would say that as a borrower, come in with a need, your documented need, you need X amount of dollars because you have rent, payroll, insurance premium due, other things that I need assistance with. This is supplemental to hopefully what your revenues are providing to you going forward. This is a draw note for working capital expenses. And I will just add to that, if the business receives assistance through SBA or the PPP or the disaster loans, again, those programs support need but if a business has more need beyond those, then they would be eligible for the B&I CARES Act program. Similarly with FSA. A producer eligible for FSA, as David mentioned, if the request is for more than what they can provide or the producer is otherwise not eligible for FSA, they can come into the B&I CARES Act program but there may be needs that are better served by FSA, and you can work with both at the same time.

How quickly can the loan requests be processed?

Aaron, do you want to talk about processing an application how that all works?

Sure. The overarching goal is to get funds into the hands of businesses as quickly as we can. Once a lender gets a completed application to our state office, we are trying to process those applications within five business days, from the time we receive the application, until you all get funds in your hands. We are hoping lenders can close these loans within five days.

Great, thank you. What are the collateral requirements please?

Again, a loan needs to be fully secured, however any collateral or assets that the business owns can be pledged as collateral. It can be equity in real estate, equipment, inventory, its receivables, it would all count be valued as collateral for the loan purposes. If the collateral or the property already serves as collateral for other loans, if there is equity beyond that existing loan amount, that equity could serve as collateral.

If a borrower has been forgiven on their PPP loans, does that change how you calculate the eligible loan amount for the B&I CARES Act loan?

If a business that received a PPP loan, that loan amount would be netted out of what they are eligible for the maximum amount. Of course if they are forgiven, means they drew the funds and used the funds for payroll or other working capital purposes, you would expect they would need less on the B&I CARES Act program. It is a loan received through SBA through the PPP program.

And do you have a list of lenders?

On the processing site, Aaron, how would you suggest a business look for a lender in the program?

Start local, but I work with our local offices that are frequently in our program within that state, small community banks that work with the program, I would start with those.

Work with your lender today if you have one, but if you need to go beyond that lender, so then just contact our local office, but really, any lender that has some type of supervision or oversight like a ruling state agency would qualify for the program. If they are not familiar with it, the field office structure is there to help work with lenders to access the program.

We need to procure additional equipment as an operating expense for the next 12 months, in my hearing this loan will not permit that?

The B&I CARES Act is for capital working purposes only, so if you need to borrow funds for equipment or other fixed assets, that are depreciated over time, those types of loan purposes would not qualify for the B&I CARES Act. If it is a Ag producer, they may qualify for FSA. But the standard B&I program would be an opportunity for businesses , but it cannot fund or finance production agriculture as a sole purpose. But it can assist in other business activities, processing, any rural business going forward. But it is correct that the B&I CARES Act is only for working capital purposes.

Can churches apply?

David, do you want to address churches and other businesses that may not be eligible?

An institution religious in nature is not an eligible applicant but we will allow, for example, if a church was operating let's say a day care facility center where there were no religious services conducted or no religious component to it but they own a day care facility for example, that business itself may be eligible for the program. The churches are generally not eligible, but there may be some isolated case-by-case basis where a business that the church operates with no religious component would be eligible. I also say that casinos are not eligible, gaming enterprises are not eligible in the entity where more than 10% of the revenue is generated by gambling activity including lottery proceeds, those businesses are not eligible. But again, in general, any business entity is eligible.

Besides from the CARES Act, does USDA have any incentives for regular B&I lending such as lower guaranteed fees to provide further relief for the COVID-19 crisis?

Unfortunately, right now we do not at this time have authority to make changes to the standard B&I program. We have authority on state emergency basis for some of the servicing activities, looking at repayments, re-amortizations for the existing loans, but going forward with new loan activity, we are pretty much committed to the program as it is stood up through the appropriations process. This program as it rolls through the fiscal year, Congress could always decide to provide different authorities or programs but right now we are pretty limited on the existing program.

Okay, thank you.

Would I be eligible for two loans as I own my own farm and also have another business that does not relate to the farm?

If they are two different businesses, you could make an application for each, one for the agricultural production working capital needs and the other for the other business working capital needs.

[Indiscernible- multiple speakers]

If they are truly separate businesses and operate independent, they would each qualify under the maximum, and each would be tested on the B&I CARES Act provisions.

Does the owner of the business need to provide a personal guarantee to be eligible to receive the loan? -- The loan?

David, I will turn it over to you, because I have to duck out for a second.

That is fine, thank you for the question and thank you Mark for your time. The guarantee question, it is pretty much, we require that any owner of a business that owns 20% or more the business is required to provide a personal or corporate guarantee of any loans to that borrower. So yes the guarantee would be required if the ownership percentage is more than 20%.

Can shareholder debt be counted as equity?

It can be subordinated and counted as equity but we cannot use B&I CARES Act proceeds to make repayment on that loan. It would count towards the equity component, yes.

Do lenders collect, spread and submit to the agency all borrower affiliates or is there some discretion allowed by the lender such as lender only analyzing those affiliates owned 20% or more by the borrower?

I will let Aaron jump in on that but we require current financial statements on the business and affiliate.

We would see all of the affiliates that ran through the business.

Okay.

And what is the draw period? Is it one-year?

The draw period is extended for the amount of time that the business needs to recover from the coronavirus pandemic. The economic impact for that, so we established a year saying it is pretty typical, that hopefully by June 2021, our economy is back to full strength in all businesses are fully recovered. But it will be individual to each business as far as how that recovery may be made. When the draw note is extended by lender to a borrower, it is a one time draw so you can draw funds but once you have drawn it, you cannot draw them again, it is not a revolving line of credit. But there is no end to the time that you may draw eligible funds, that is up to the maximum loan amount.

Okay, I do want to point out that we are about a minute over time and I believe we have extended our time here so that we can continue to answer questions, at least for a little while longer for those who are able to stay. The primary information intended to be provided by this webinar has already been provided and so if you do have to leave, you have already received all of that information. I want to remind folks that within 48 hours, there will be a link provided to a recording of this webinar, there will be slides of the PowerPoint made available and questions

we do not get to today will be answered through email. Going on for another question, could you please clarify what sort of collateral is like considered eligible?

Eligible collateral would be real estate, equipment, inventory, accounts receivable, we predominantly look at fixed assets as a preferred method of collateral but basically business collateral is what we are looking at so whatever your business owns, whatever you need to pledge with a value equal to the loan amount is what we are looking at.

If I am projecting drastic downturn, could I apply for this to use during those quarters?

You would project your working capital needs to recover from the pandemic and if you are anticipating a downturn, that should be part of your calculation of the total dollar amount you would need.

And can we purchase livestock and equipment from the funds of the CARES Act loan?

Livestock would be a working capital expense if you are growing livestock but the purchase of equipment would not be eligible.

I had to make an interest payment a couple of days ago, will that payment that I already paid be considered for reimbursement from the CARES Act?

Working capital expenses after February 15 of 2020 should be included into your calculation of the immediate need of working capital funds including your overall need to recover.

Are there any restrictions on lending for operating expenses to agricultural operations that raise livestock on contract after owned animals?

I do not believe we have any specific restrictions but this is where we may need to rely on our friends with the FSA office because they are used to dealing with the nuances of what those expenses are. We don't have any restrictions on operating expenses.

And this one is about tribal communities, are they eligible to apply for community development capital? These entities are federally tax exempt under IRC section 7871, can you fund businesses of these organizations?

We are not allowed to guarantee a loan where the interest is tax exempt. So if the tribal nation were to borrower as a tax-exempt entity where the interest on that loan is tasks -- tax-exempt, we cannot guarantee the loan. But

tribal entities are eligible borrowers, and the exception would just be a tribal casino. But for standard operating expenses for tribally owned business, it is an eligible purpose and entity.

Okay, this is double checking, B&I CARES Act program is still based on receiving approval from a primary lender? Thus, standard lending guidelines will still apply, correct?

Very good question, thanks for bringing that up. We guarantee loans made by lenders, so they will undergo their standard credit criteria and analysis of the business and prior to submitting an application to the agency for us to guarantee their loan. I do emphasize that this is the lenders loan to the borrower, we are just an entity providing a B&I CARES Act program loan guarantee through minimizing the credit risk for business that may not be receiving a whole lot of revenues at the current time. Okay, I think we have time for a few more questions here and then we will go ahead and wrap it up. Is the local foods rural area exemption eligible under B&I CARES Act?

Yes, that exception for local food distribution is still in effect.

Can the 2% guarantee fee be rolled into the loan package?

Oh yes, that is an eligible loan cost.

I think we are coming just back down to our first set of questions so this might be a good place to go ahead and say thank you for today and Dave, I will turn it over to you for an official wrapup but thank you so much for the extra time you have taken to answer all of these questions and thank you to those who stayed online because of their interest.

Again, we want to sincerely thank all of you and hope we answered most of your questions related to the program. We have state offices, 47 as Aaron mentioned, they may not be seen but we are continuing to contribute even through the quarantine. We are all located at the national office in Washington, DC, we have not seen each other face-to-face a couple months now but we are still getting our programs delivered. We appreciate you staying with us. I will say there was a question in there regarding up for an entity being eligible. We do allow a foreign owned entity to be an eligible Ag CARES Act borrower so long as it is within the territories. We thank you again for your time, Kate, for your time as well and thank you and have a great day. And stay healthy.

[Event Concluded]

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