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**United States Department of Agriculture  
Rural Development  
California  
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**B&I Program Insights # 3: THE PRIORITY SCORING SYSTEM** March 29, 2004  
**Business & Industry (B&I) Guaranteed Loan Program**

**How does the B&I priority scoring system work?**

Every B&I loan application is given a priority “score” by USDA which quantifies the rural benefits that USDA attributes to the project. (USDA wants to direct its B&I guaranteed loans to projects that will deliver the most benefit to the neediest areas.)

Whenever B&I guaranteed funding authority is limited, loan applications compete for funding from nationwide pools. These competitions usually occur once a month.

B&I guaranteed funds are awarded to applications based on their priority score, rather than on a “first-come, first-serve” basis. A low-scoring B&I project will always be passed over for a higher-scoring one, regardless of how long the low-scoring application has been awaiting funds.

**How is a B&I application’s priority score determined?**

RD Instruction 4279-B, §4279.155 delineates the criteria for priority scoring:

<b>B&amp;I Priority Scoring Criteria</b>	<b>Points</b>
<b>Community Where Project Is Located:</b>	
Population of ≤ 25,000.....	10
With job deterioration & out-migration.....	5
That has remained persistently poor.....	5
That has experienced economic or natural disaster.....	5
With an unemployment rate ≥ 125% of the State average.....	5
Federally-designated “Empowerment Zone/Enterprise Community”.	10
Federally-designated “Champion Community”.....	5
<b>B&amp;I Deal Structure:</b>	
Interest rate ≤ Prime + 0.5 (or equivalent).....	5
Interest rate ≤ Prime + 1.0 (or equivalent).....	5

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B&I loan represents < 50% of the total project cost.....	5
B&I guarantee requested is 10% below normal level -- e.g., 70%....	5
<b>Type of Business Assisted:</b>	
≥ 20% of sales are from exports.....	5
New industry to the area.....	5
Products are high-value goods or services.....	2
Provides an additional market for existing local businesses.....	3
Locally owned.....	3
Value-added, natural resource-based business.....	2
<b>Average Wage Paid:</b>	
≥ 125% of Federal minimum wage (i.e., ≥ \$6.44/hr).....	5
≥ 150% of Federal minimum wage (i.e., ≥ \$7.73/hr).....	5
<b>State Director Administrative Points:</b>	
Discretionary based on USDA mission & strategic goals.....	10
<b>Maximum Total Points =</b>	<b>100</b>

### How are priority points assigned?

USDA determines the priority score. Nearly all of the factors are objective; only the State Director Administrative Points are discretionary.  
 Many factors are inherent in the project and can't be changed -- e.g., project location, business type.  
 Some factors are in the lender's control -- e.g., interest rate, % guarantee requested.

### How can I know my project's priority score?

USDA does a draft priority score as soon as a preapplication (with sufficient information) is received. USDA will share this information with you and discuss funding prospects.

### How many points does a project need to secure funding?

If funds are not limited, there is no minimum required score. (Priority scores only become critical when funding is limited and only available on a competitive basis.)  
 When funds are limited, higher scoring projects will always secure funding before lower ones. So, the higher the score, the better.  
 Based on recent activity, any B&I project scoring less than 40 points may have difficulty competing for funds from a National pool. If a project scores less than 40 points, the applicant could experience delays in obtaining funding and, consequently, final approval.

### **How can a project improve its chances of funding?**

Target B&I lending to projects that score well.

For example, a lender might choose to focus on projects that have the following features:

1. Projects located in high unemployment areas -- 5-10 points
2. Loans priced at Prime + 1 (of the equivalent) or less -- 10 points
3. Businesses that pay an average wage of \$7.73/hour or more -- 10 points

A project that meets these criteria will likely also get 10 Administrative Points -- totaling 40 points.

Each lender will want to adopt a business development strategy that fits its needs and the B&I scoring system.

### **How can I find out where targeted communities are located?**

USDA can provide you with a list of areas that will qualify for community priority points -- e.g., Enterprise Communities, Champion Communities, high unemployment communities, etc.