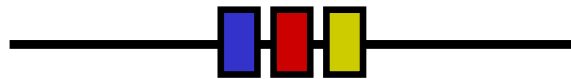




Overview  
Business & Industry  
Guaranteed Loan Program



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## **About Us**

**USDA Rural Development is committed to helping improve the economy and quality of life in all of rural America. Through our programs, we touch rural America in many ways.**

**Our financial programs support such essential public facilities and services as water and sewer systems, housing, health clinics, emergency service facilities and electric and telephone service. We promote economic development by supporting loans to businesses through banks and community managed lending pools.**

**We offer technical assistance and information to help agricultural and other cooperatives get started and improve the effectiveness of their member services. And we provide technical assistance to help communities undertake community empowerment programs. We have an \$86 billion dollar portfolio of loans and we will administer nearly \$16 billion in program loans, loan guarantees, and grants annually.**

**Rural Development achieves its mission by helping rural individuals, communities and businesses obtain the financial and technical assistance needed to address their diverse and unique needs. Rural Development works to make sure that rural citizens can participate fully in the global economy.**

**Listed on the following page is a summary of approved loans and grants by state, you will note that there is no state that exceeds Georgia's \$6.1 billion funding level. This demonstrates that our Georgia USDA Rural Development team of professionals is working every day to meet the challenges and opportunities facing our rural residents and communities. With our customers in mind, we have adopted streamlined underwriting and investment delivery approaches that we believe better serve our customers.**

**Please visit the below website to learn more about how we have and will continue to assist rural communities in Georgia. <http://www.rurdev.usda.gov/ga/>**

**Thank You**

**USDA, Rural Development**

**Eddie M. Douglas**

**RURAL DEVELOPMENT DOLLARS OBLIGATED AND NUMBER OF LOANS AND GRANTS MADE  
FY 2001 - 2008**

<b>State</b>	<b>Total \$ Obligated</b>	<b>Total # Loans &amp; Grants</b>
Alabama . . . . .	\$2,546,100,602	12,546
Alaska . . . . .	\$1,216,469,277	3,074
Arizona . . . . .	\$1,536,135,017	6,128
Arkansas . . . . .	\$2,813,153,411	19,025
California . . . . .	\$3,321,637,810	11,256
Colorado . . . . .	\$2,680,087,173	6,242
Delaware/Maryland . . . . .	\$1,500,319,556	7,421
Florida/VI . . . . .	\$4,043,460,551	20,114
Georgia . . . . .	\$6,086,374,886	12,462
Hawaii/WPT . . . . .	\$1,044,412,565	6,062
Idaho . . . . .	\$1,113,704,883	6,928
Illinois . . . . .	\$3,132,233,196	31,891
Indiana . . . . .	\$2,510,953,601	12,154
Iowa . . . . .	\$2,587,193,507	16,611
Kansas . . . . .	\$1,766,269,962	11,127
Kentucky . . . . .	\$5,836,206,643	24,510
Louisiana . . . . .	\$2,717,624,473	17,775
MA/CT/RI . . . . .	\$1,021,441,886	4,414
Maine . . . . .	\$1,267,425,734	8,804
Michigan . . . . .	\$3,670,967,521	28,885
Minnesota . . . . .	\$4,184,246,553	19,760
Mississippi . . . . .	\$2,605,366,601	17,293
Missouri . . . . .	\$3,891,230,051	24,224
Montana . . . . .	\$1,239,429,822	7,441
Nebraska . . . . .	\$907,269,150	8,407
Nevada . . . . .	\$308,882,781	1,284
New Jersey . . . . .	\$471,132,341	2,323
New Mexico . . . . .	\$1,135,194,771	4,274
New York . . . . .	\$1,321,186,508	8,741
North Carolina . . . . .	\$5,138,067,853	21,542
North Dakota . . . . .	\$2,155,516,847	4,171
Ohio . . . . .	\$3,773,507,022	18,269
Oklahoma . . . . .	\$2,481,145,767	11,823
Oregon . . . . .	\$1,359,361,769	7,636
Pennsylvania . . . . .	\$2,259,892,046	14,811
Puerto Rico . . . . .	\$1,676,877,337	14,427
South Carolina . . . . .	\$2,713,193,976	9,010
South Dakota . . . . .	\$1,981,402,968	10,613
Tennessee . . . . .	\$3,011,363,670	19,863
Texas . . . . .	\$5,616,014,041	20,009
Utah . . . . .	\$1,185,459,775	5,996
Vermont/NH . . . . .	\$1,050,008,698	6,510
Virginia . . . . .	\$2,328,731,761	13,032
Washington . . . . .	\$1,269,213,396	6,260
West Virginia . . . . .	\$1,305,947,751	8,618
Wisconsin . . . . .	\$2,891,317,895	13,601
Wyoming . . . . .	\$555,493,520	2,268
<b>ANNUAL TOTALS</b>	<b>\$111,228,626,924</b>	<b>569,635</b>

## Helpful Websites for B&I Guaranteed Loans

1. Ga website to B&I Guaranteed Loan Program:  
<http://www.rurdev.usda.gov/ga/guarrbs.htm>
2. B&I Instruction 4279-B Loan Making  
<http://www.rurdev.usda.gov/regs/regs/pdf/4279b.pdf>
3. B&I Instruction 4279-A General  
<http://www.rurdev.usda.gov/regs/regs/pdf/4279a.pdf>
4. B&I Instruction 4287-B B&I Loan Servicing  
<http://www.rurdev.usda.gov/regs/regs/pdf/4287b.pdf>
5. B&I Forms  
<http://www.rurdev.usda.gov/regs/formstoc.html>
6. General Overview of B&I Guaranteed Loan Program  
<http://www.rurdev.usda.gov/ga/bpguide11107.doc>
7. Website to determine site eligibility:  
<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=RBSmenu&NavKey=property@13>
8. Guide to items needed for pre-application for B&I Application:  
<http://www.rurdev.usda.gov/ga/bpguide21107.doc>
9. Guide to items needed for B&I Application over \$600,000:  
Request sent to update website 12/10/2007. Can use the guide for \$400,000.00 until website is updated.  
<http://www.rurdev.usda.gov/ga/Guide%201-400k.pdf>
10. Lenders Guide to Screening B&I Applications:  
<http://www.rurdev.usda.gov/ga/quickguide.pdf>
11. Guide to Lender Financial Analysis Requirements  
<http://www.rurdev.usda.gov/ga/bpguide831107.doc>
12. Compare Section 9006 to B&I Guarantee Loan Program  
<http://www.rurdev.usda.gov/rbs/9006%20B&I%20Comparison.doc>

13. Compare SBA 7a and 504 to B&I Guaranteed Loan  
(Craig needs to Post)
14. Guide to USDA Rural Development and the Georgia State Clearinghouse  
<http://www.rurdev.usda.gov/ga/clearinghouse.htm>
15. Guide to completing site visit for B&I Loan and completing Environmental Review  
<http://www.rurdev.usda.gov/ga/bpguide61107.doc>
16. Guide for reviewing collateral discounting for B&I Loan  
<http://www.rurdev.usda.gov/ga/rbscollateral.doc>
17. Guide for Tangible Balance Sheet Equity Requirements  
<http://www.rurdev.usda.gov/ga/bpguide821107.doc>
18. Guide to “Sample Conditional Commitment” for B&I Loan  
<http://www.rurdev.usda.gov/ga/bpguide811107.doc>
19. Guide to “Lender Certification” before to issuing Loan Note Guarantee  
<http://www.rurdev.usda.gov/ga/LenderCert.doc>
20. Business And Industry Guaranteed Loan Program Unconditional Guarantee  
<http://www.rurdev.usda.gov/ga/4279-14.pdf>



Committed to the future of rural communities.

# **Business & Industry (B&I) Guaranteed Loan Program**

**General Overview**



## Business and Industry (B&I) Guaranteed Loan Program

*This guide is an introduction to the Business and Industry (B&I) Guaranteed Loan Program and is not intended to replace any RD Instructions.*

### Purpose of the B&I Guaranteed Loan Program

The purpose of the B&I Guaranteed Loan Program is to improve, develop, or finance business and industry, create employment and improve the economic and environmental climate in rural communities.

### RD Instructions for B&I Guaranteed Loan Program

4279-A, General      4279-B, Processing      4287-B, Servicing

Eligible Borrowers		
Individual	Partnership	Corporation
Cooperative	Federal or State recognized Indian Tribe	Any other legal entity organized for profit or nonprofit

### Citizenship Requirement

Individual borrowers must be citizens of the United States (U.S) or have been legally admitted for permanent residence. Corporations or other nonpublic body organization must be at least 51 percent owned by persons who are either citizens of the U. S. or reside in the U.S. and have been legally admitted for permanent residence.

### Eligible Area

An area must be rural to be eligible for the B&I Guaranteed Loan Program. A rural area is defined as any area other than a city or town that has a population greater than 50,000 and the urbanized area contiguous and adjacent to such a city or town. You can verify an address for rural area eligibility at <http://www.rurdev.usda.gov/rbs/> and going to ERS-Rural Area Determination hyper-link.

Loan Approval Authority	
Georgia	\$7.5 million and below
National Office	Above \$7.5 million

Loan Amounts and Guarantee Limits	
No minimum loan amount	
\$5 million and less	80% guarantee
Over \$5 million to \$10 million	70% guarantee
Loans above \$10 million	60% guarantee
\$25 million with Administrator's approval	60% guarantee
Under certain conditions, the Agency may allow a 90% guarantee on a loan amount less than \$10 million. The Secretary of Agriculture may approve guaranteed loans in excess of \$25 million for rural cooperative organization that process value-added agricultural commodities.	

### **Eligible Loan Purposes**

- Real Estate
- Machinery and Equipment
- Working capital and Start-up cost
- B&I Acquisition
- Expansions
- Pollution control and abatement
- Transportation Service
- Feasibility Studies
- Commercial fishing
- Eligible housing development sites
- Forestry and Commercial nurseries engaged in production of ornamental plant and trees
- Agriculture production when not eligible for Farm Service Agency programs and it is part of an integrated business also involved in processing agricultural products
- Purchase of Cooperative Stocks by individual farmers and ranchers in a farmer or rancher cooperative established to process an agriculture commodity
- Refinancing outstanding debt when the project is viable, improves cash flow and creates or saves jobs. If refinancing existing Lender debt, the refinancing portion must be less than 50% of the entire loan.
- Purchase of membership, stocks, bonds, or debentures necessary to obtain a loan from Farm Credit System institutions and other Lenders, provided that the purchase is required for all of their borrowers
- Tourist and recreation facilities, hotels, motels, and eligible bed and breakfast establishments, educational or training facilities, eligible community facility projects
- Routine Lender fees, Agency guarantee fee, and other professional fees

### **Ineligible Loan Purposes**

- Distribution or payment to an owner, partner, stockholder, or beneficiary of the borrower or a close relative of such an individual when they will retain any portion of the ownership of the borrower
- Charitable institutions, churches, or church-controlled or fraternal organizations
- Lending and investment institutions and insurance companies
- Lines of Credit and guarantees of lease payments
- Any tax exempt obligation
- Guarantees on loans made by other Federal Agencies
- Projects in excess of \$1 million that would likely result in the transfer of jobs from one area to another and increase direct employment by more than 50 employees
- Projects in excess of \$1 million that would increase direct employment by more than 50 employees, if the project would result in an increase in production of goods for which there is not sufficient demand or if the availability of services or facilities is insufficient to meet the needs of the business

- Racetracks or any business that derives more than 10 percent of annual gross revenue from gambling activity, prostitution or any other illegal business activity
- Assistance to Government employees and military personnel who are officers or directors or have a major ownership of 20 percent or more in the business
- Any loan that creates a conflict of interest
- Projects that are eligible for Rural Housing and Rural Cooperative Housing loans
- The owner-occupied housing part of a business, such as, a Bed and Breakfast or storage facility

<b>Tangible Balance Sheet Equity Required</b>	
Start-up Business	20%
Existing Business	10%

<b>Guarantee Fees</b>		
Initial guarantee fee	2%	
Annual renewal fee		
As of 12/31/07	.25%	of the principal loan balance as of December 31st of each year.
Established in an annual notice published in the Federal Register		Paid once per year and is due on January 31st and becomes delinquent as of April 1st
If the Loan Note Guarantee is issued between October 1st and December 31st, the annual renewal fee is not due until January 31st of the second year following the date the Loan Note Guarantee was issued.		
The annual renewal fee that is in effect as of the date of the issuance of the Loan Note Guarantee will remain in effect for the life of the loan.		

### **Interest Rates**

Interest rates may be variable or fixed and are negotiated between the Lender and Borrower. Variable interest rates must be tied to a base rate agreed to by the Lender and the Agency. Variable interest rates may not be adjusted more often than quarterly.

<b>Loan Terms</b>	
Real Estate	30 years
Machinery and Equipment (M&E)	15 years or the useful life of the M&E
Working Capital	7 years
<i>Balloon payments are not allowed</i>	

### **Feasibility Studies**

Feasibility Studies are required for start-ups or if the project will significantly affect the borrower's operation. Feasibility studies must be completed by a qualified independent consultant.

### **Collateral**

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

## Appraisals

Lenders will be responsible for ensuring that appraisal values adequately reflect the actual value of the collateral.

## Lender Eligibility

Any Federal or State chartered bank; Farm Credit System; Bank of Cooperatives; Savings & Loan or Building & Loan Association; bank-holding company's mortgage company; credit union; or insurance company – subject to government credit examination and in good standing, other lenders with commercial lending experience and financial strength may also be approved.

## Lender Benefits

- Increase lender's legal lending limit
- Increase lender's return on investment
- Create additional income streams for lenders
- Minimize lender's loss risk

### Advantage of Selling in the Secondary Market

One of the most attractive features of a B&I Guarantee is the advantage of Lenders selling of the guaranteed portion of the Loan into the secondary market. The following example of a B&I Loan sale will show the profitability of the B&I Loan Program.

For illustration purposes, we will use a \$2,000,000 loan with an 80% guarantee, amortized over a 15 year period. The note interest rate is 8.50% with a servicing fee of 1.00% and the loan is being sold into the secondary market at a 10% premium. *This is only an example.*

Terms of secondary market sales are negotiated between the Lender and the secondary market.

#### FIRST YEAR RETURN:

\$ 2,000,000 X 80% = \$1,600,000 X 10%	= \$160,000
\$ 1,600,000 X 1.00% Servicing fee to Lender	= \$ 16,000
\$ 400,000 (unguaranteed portion) X 8.50%	= \$ 34,000

**TOTAL RETURN ON FIRST YEAR (52.50%)                      \$210,000**

**Lender investment of \$400,000 with first year return of \$210,000 or (\$210,000/\$400,000) = 52.50% ROI**

#### SECOND YEAR RETURN:

\$2,000,000 - \$70,460 (first years principal amortization)	\$1,929,540
\$1,929,540 X 80% = \$1,543,632 X 1.00% servicing fee	= \$ 15,436
\$1,929,540 X 20% = \$385,908 (unguaranteed portion X 8.5%)	= \$ 32,802

**TOTAL RETURN ON SECOND YEAR (12.50%)                      \$48,238**

**Lender investment of \$385,908 with second year return of \$48,238 or (\$48,238/\$385,908) = 12.50% ROI**

# Guaranteed Programs Comparison Chart

Differences Between USDA Rural Development (RD) and Small Business Administration (SBA)

	<b>USDA Rural Development B&amp;I</b>	<b>SBA 7a</b>	<b>SBA 504</b>
Maximum Loan	\$25,000,000	\$2,000,000	\$4,000,000
Typical Eligible Purposes	Startup, Expansion, Business Acquisition, Commercial Real Estate, Working Capital, Equipment Inventory Soft Cost	Startup, Expansion, Business Acquisition, Commercial Real Estate, Working Capital, Equipment, Inventory	Commercial Real Estate, Major Renovations, New Construction, Major Equipment
Available Loan Terms	30 years for RE Loans 15 years FF&E or useful life remaining of collateral Working Capital 7 years	Up to 25 years for Commercial Real Estate Up to 10 years all other loan purposes	Up to 20 years for Commercial Real Estate Up to 10 years all other loan purposes
Loan Guarantee	80% on loan amounts \$5,000,000 or less 70% Over \$5 to 10 million 60% over \$10 million	85% on loan amounts less than \$150,000 75% on loan amounts greater than \$150,000	None
Eligible Businesses	Both profit and non profit businesses	Only for profit	Only for profit
Business size restrictions	NO <i>Business must be located in rural areas - less than 50,000 population</i>	YES	YES
Fees	2 %	2% to 3.75%	
Credit available elsewhere test	NO	YES	YES
Will Agency come to my Bank and work one on one with loan officers on loan request?	YES Call 706-546-2154 E-mail: <a href="mailto:eddie.douglas@ga.usda.gov">eddie.douglas@ga.usda.gov</a> <a href="mailto:david.mull@ga.usda.gov">david.mull@ga.usda.gov</a>	NO	SBA NO CDC YES

# Quick Guide for Screening Proposals for B & I Loan

- Is it a viable commercial loan project?
- Is Applicant's "Business Plan" adequate?
- Does project pass 5 C's of credit test? Character, Capacity, Collateral, Capital and Conditions
- Is the project located in a rural area?  
*Check address at <http://www.rurdev.usda.gov/rbs> (Click on ERS-Rural Area Determination)*
- Is the borrower/loan purpose eligible for the B&I program?  
*RD Instruction 4279-B Section 4279.108 and 4279.113  
<http://www.rurdev.usda.gov/regs> (Click on Instructions)*

## Special requirements

- Business is majority-owned by US citizens or permanent residents.
- No more than 20% if owners are US government/military employees.
- Project does not involve relocation of more than 50 employees.
- If lender is refinancing their own debt, this purpose is less than half of the loan.

### **Adequate Collateral Test**

- Discount *current appraisal* values per lender's loan policy
- Discounted collateral value should be at least a 1:1 ratio

### **Tangible Balance Sheet Equity Test** (Using *depreciated cost basis* values)

- (10% minimum for existing businesses; 20% minimum for new businesses)

### **Practical considerations**

- Environmental controversy (avoid floodplains & prime farmland)

*Note: Rural Development is looking for quality loans that will support a stable employment source. Unprofitable, undercapitalized and poorly managed businesses do not provide this stable employment source.*

## B&I Application Process

Step 1: Lender contacts USDA, Rural Development (“Agency”) by phone or e-mail.

Step 2: Lender submits pre-application (Reference: Guide to Filing Pre-Application)

Step 3: Agency completes field visit/pre-application conference (normally within 2 weeks)

Step 4: Agency invites complete application; determines need for feasibility study; determines level of environmental review

Step 5: Lender submits complete application

Step 6: Agency completes credit evaluation and environmental analysis; presents loan at State Loan Review Board (*meets as needed*)  
*If > \$7.5 million, approval decision must be made by Washington, D.C. Approval decisions are typically issued within 30 days of receiving a complete application, unless the project involves extensive environmental analysis or exceeds State approval authority*

Step 7: A Conditional Commitment is issued by the agency after approving the project and obligating funds. (*A meeting with Lender, Borrower and Agency will insure approval conditions are understood*)  
If funding is temporarily unavailable, lender is advised of tentative approval (without a Commitment)

**(Note: If the Lender decides to advance interim funding at its own risk, the Agency should be notified.)**

Step 8: Lender accepts Conditional Commitment

Step 9: Lender verifies Borrower meets conditions; notifies Agency ready to close loan

Step 10: Lender submits guarantee fee, copies of closing documents, and certifications that conditions have been or will be met and requests Loan Note Guarantee

Step 11: The Agency reviews Lender’s documentation to verify approval conditions are being met; the Agency issues the Loan Note Guarantee

**Note: for pre-application help, visit:  
<http://www.rurdev.usda.gov/ga/bpguide21107.doc>**

## Summary

RD Instruction 4279-A, 4279-B and 4287-B establish the current procedures and responsibilities that will be used when processing all guaranteed B&I loan guarantee applications. Georgia has chosen to develop processing B&I Loan Guides to use as tools to ensure that the specific processing steps are accomplished, and to help facilitate a more streamlined and *consistent delivery* of the B&I Loan program to our customers. Answers to common questions and issues will be shared with both external and internal customers by posting Agency response to policy issues on Georgia Internet Homepage under the Business Programs Section at [www.rurdev.usda.gov/ga/](http://www.rurdev.usda.gov/ga/).

RD Instructions and the applicable forms needed for the B&I Guaranteed Loan Program can be found at: <http://www.rurdev.usda.gov/regs/>. Then go to the appropriate hyperlink – Instructions or Forms.

### **B&I Guaranteed Loan Processing Contacts at State Office:**

**David Mull**  
Business Programs Specialist  
[david.mull@ga.usda.gov](mailto:david.mull@ga.usda.gov)

**Eddie Douglas**  
Business Programs Specialist  
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#### **Both can be reached at:**

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Fax: 706-546-2135

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To file a complaint of discrimination write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call 800-795-3272 (voice) or (202)720-6382 (TDD). USDA is an equal opportunity provider and employer.”

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**Lenders Guide To  
Business & Industry Guarantee  
Loan Program**



Committed to the future of rural communities.

**Questions Contact**

**Eddie M. Douglas**

**Business Loan Specialist  
Athens, Georgia  
706-546-2154**



**SECTION II – Information for Interested Lenders  
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## APPLICATION PROCESS

### Using Professional Service Provider / Loan Packager

In developing guarantee requests that are both eligible for the B&I Program and complementary of Georgia's performance goals, the Agency neither encourages nor discourages a lender from using a professional service provider and/or loan packager. Applications developed by those individuals receive no special priority in processing and are subject to the same regulations and strategic plan requirements as any other application.

To ensure effective service, the following principles should be agreed upon from the beginning:

- The lender is responsible for submitting a complete and accurate application. Therefore, professional service providers and/or loan packagers should submit the information they obtain or develop to the lender. The lender will submit application material only after they have reviewed the material and determined the items meet the bank's policy and Agency Instructions.
- The Agency will return incomplete applications to the lender. To insure timely review and approval, the Agency must receive a complete application. Agency processing time starts with a complete application.
- Lenders, professional service providers and/or loan packagers, and the Agency will have a preapplication conference to reach an early understanding of the ultimate borrower's credit needs and to strategize the development of the loan guarantee application. This conference can be completed by telephone.
- In the event of any dispute, a second meeting or teleconference will be scheduled with all parties to settle the dispute and complete the application processing. If the dispute cannot be settled, the Agency will use existing information presented and render a decision in accordance with applicable regulations. The Agency offers lenders review or appeal rights with any adverse decision.
- If both the lender and the proposed borrower employ the same professional service provider and/or loan packager, it will have the appearance of a conflict of interest. If an outside party is required to bring the application together, the best situation is that the professional service provider and/or loan packagers is hired by only one party either the lender or the potential borrower.

## Who is the Borrower?

<b>TIP: When is there a need for a Co-Borrower?</b>
---

In situations where a real estate holding company and an operating entity are dependent upon one another's operations and are effectively one business, Lender should require them to be co-borrowers, especially when you consider collateral, equity, and repayment ability.

Only in situations where real estate holding companies and operating entities are truly independent and not reliant on the other's operation to survive should you allow one entity or the other to be a sole borrower.

In co-borrower situations, the lender should submit financial statements for both borrowers individually as well as on a consolidated basis. To determine whether the projected equity requirement is met at loan closing, use consolidated pro forma financial statements.

<b>TIP: Clarification of a New versus Existing Business</b>
---

A new business is a start-up that has not been in operation for at least one full year. An existing business has operated for at least one full year.

Newly formed entities leasing space or building ground-up facilities, even if there are affiliated businesses doing the same kind of business, are new businesses.

Newly formed entities that are buying existing businesses or facilities may be considered an existing business as long as the business remains in operation.

Mergers or changes in the business name or legal type of currently operating businesses is consider existing businesses as long as the business purpose has not changed significantly.

Filing Pre-applications

RD Instruction 4279-B, Loan Making

<http://www.rurdev.usda.gov/regs/regs/pdf/4279b.pdf>

Lenders are encouraged to file pre-applications and obtain Agency comments before completing an application. However, if they prefer, they may file a complete application as the first contact with the Agency. Neither preapplications nor applications will be accepted or processed unless a lender has agreed to finance the proposal. Request over \$10 million will require pre-application review by the National Office.

A lender may file a pre-application by submitting the following to the Agency:

*Please respond to all. If you need additional space, attach a sheet with a corresponding item number. Applicant and lender both should sign the last page of this Guide.*

	Lender	Borrower
Full Legal Name:		
Street & Mailing Address:		
Phone Number:		
Fax Number:		
Email Address:		
Website:		
NAICS Number <a href="http://www.naics.com/se/arch.htm">http://www.naics.com/se/arch.htm</a>		
IRS Tax ID (or SS) Number:		
FDIC Certificate No:		N/A For Borrower
Contact Person Name:		
Contact Person Title:		
Cell Phone Number:		

1. Brief history and description of the project, project location, products, services provided, and availability of raw materials and supplies:

--

2. Attach Lender's preliminary credit approval presentation with credit analysis.

YES	NO	Lender credit approval attached
-----	----	---------------------------------

3. Requested Loan Amount: \$ \_\_\_\_\_.  
 Maturity: \_\_\_\_\_ years  
 Interest rate: \_\_\_\_\_% Fixed or \_\_\_\_\_% Variable

- 4.

Source of Funds		Use of Funds	
Business Injection:		Real Estate:	
Guaranteed Loan:		Machinery & Equipment:	
Other:		Accounts Receivable:	
		Inventory:	
		Other (Identify):	
Total:		Total:	

5. Number of full time jobs existing: \_\_\_\_\_  
 Created: \_\_\_\_\_ Saved: \_\_\_\_\_

6. Amount of business' tangible net worth: \$ \_\_\_\_\_.  
 (Attach worksheet supporting calculation)

7. List personal or corporate guarantees offered:  
 (Owners with 20% or more ownership interest)

--

8. Proposed security for the loan and its value:

Description	Market Value	Valuation Method	Prior Liens	*Discount Factor	Collateral Value
		AV*		\$0	\$0
		AV		\$0	\$0
		AV		\$0	\$0
		AV		\$0	\$0
		AV		\$0	\$0
Existing Rural Development Loan	\$0				\$0
<b>Total</b>	<b>\$0</b>			<b>\$0</b>	<b>\$0</b>
<b>Discounted Collateral Coverage Ratio</b>					<b>0.00</b>

\*Lender's loan policy should determine the discount rate or loan-to-value ratio.

9. If corporate borrower, the names and addresses of the borrower's parent, affiliates, and subsidiary firms, if any, and a description of the relationship.

10. Is there any pending or final legal or regulatory action against the business or related activities? If yes, explain.

11. For all businesses, attach a current balance sheet and income statement (not more than 90 days old) and for existing businesses the last three year-end complete financial statements for the borrower and any parent, affiliates, and subsidiaries.

YES   NO   Items Attached

12. For a start-up business, you must provide a preliminary business plan.

YES   NO   Item Attached

13. General Information:

a. Is this a proprietorship, partnership or corporation (profit or non-profit)?



## Business Plan

A business plan should include, at a minimum:

A description of the business and project, management experience, products and services, proposed use of funds, availability of labor, raw materials and supplies, the names of any corporate parent affiliates, with a description of the relationship, current financial statements, projected Income Statement with supportable assumptions.

Omit any or all of these requirements, if the information is included in a feasibility study.

**TIP: The below SBA website provides free Business Plan templates and other tools that can be downloaded and shared with applicants.**

<http://www.sba.gov/smallbusinessplanner/plan/writeabusinessplan/index.html>

## Guide for Completion of Feasibility Studies

### RD Instruction 4279-B, Appendix A

The Agency requires a feasibility study by a recognized independent consultant for start-up businesses or existing businesses when the project will significantly affect the borrower's financial operations. An acceptable feasibility study should include, but not be limited to:

- Economic feasibility. Information related to the project site; availability of trained or trainable labor; utilities; rail, air, and road service to the site; and the overall economic impact of the project.
- Market feasibility. Information on the sales organization and management, nature and extent of market and market area, marketing plans for sale of projected output, extent of competition, and commitments from customers or brokers.
- Technical feasibility. An individual with previous experience in the design and analysis of similar facilities or processes proposed in the application prepares the technical feasibility report. The technical feasibility reports shall address the suitability of the selected site for the intended use including an environmental impact analysis. The report shall be based upon verifiable data and contain sufficient information and analysis so that a determination may be made on the technical feasibility of achieving the levels of income or production that are projected in the financial statements. The report shall also identify any constraints or limitations in these financial projections and any other facility or design-related factors, which might affect the success of the enterprise. The report shall also identify and estimate project operating and development costs and specify the level of accuracy of these estimates and the assumptions on which these estimates support. For the purpose of the technical feasibility reports, the project engineer or architect may be considered an independent party provided neither the principals of the firm nor any individual of the firm who participates in the technical feasibility report has a financial interest in the project, and provided further that no other individual or firm with the expertise necessary to make such a determination is reasonably available to perform the function.
- Financial feasibility. The study documents an opinion on the reliability of the financial projections and the ability of the business to achieve the projected income and cash flow. In addition, the study assesses the cost accounting system, the availability of short-term credit for seasonal business, and the adequacy of raw materials and supplies.
- Management feasibility. Evidence that continuity and adequacy of management has been evaluated and documented as being satisfactory.

**TIP: For clarifications on difference between a business plan and feasibility study, visit the below website and view the PowerPoint “Developing Feasibility Studies and Business Plans” by Audrey Luke-Morgan, Dr. John Mckissick and Sharon Kane with Center for Agribusiness and Economic Development, UGA.**  
[http://www.caed.uga.edu/presentations/tour/Audrey\\_Luke\\_Morgan\\_Aug\\_1.ppt](http://www.caed.uga.edu/presentations/tour/Audrey_Luke_Morgan_Aug_1.ppt)

## Guidance on Filing a Complete Application

### Review of Form 4279-1, "Application for Loan Guarantee (Business and Industry)

Forms are available at the USDA website at:
<a href="http://www.rurdev.usda.gov/regs/formstoc.html">http://www.rurdev.usda.gov/regs/formstoc.html</a>
Form can be downloaded at below site:
<a href="http://forms.sc.egov.usda.gov/efcommon/eFileServices/Forms/RD4279-0001_061100V06.pdf">http://forms.sc.egov.usda.gov/efcommon/eFileServices/Forms/RD4279-0001_061100V06.pdf</a>

The Applicant, proposed borrower, completes Part A and the Lender completes Part B.

The below provides an overview of the items needed from the Applicant and tips on how and where to get the information. (See Form 4279-1, Part A, page 2)

#### ITEM 21

Attach a Business Plan (see page 7 )

#### ITEM 22

"Certification of Non-Relocation and Market Capacity Information Report," Form 4279-2.

**TIP: If the application is for a guaranteed loan of more than \$1,000,000 and the project will create 50 or more new jobs, the Applicant will need to complete this form. This form requests a Department of Labor review that can take up to 60 days to complete.**

The Department of Labor determines whether jobs will be relocated from one community to another and whether new, capacity will be added in an industry already suffering from an excess of capacity.

Both are prohibited uses of our program. If you have already submitted this form as part of a pre-application, do not complete again.

ITEM 23

State Clearinghouse comments or recommendations

**TIP: In GA, the Agency has entered into MOU with Georgia State Clearinghouse that waives certain funding request from this review. Examples include equipment purchases, or other miscellaneous purposes, i.e., refinancing, inventory, or working capital. Projects involving construction, renovation, or rehabilitation that will involve state/ federal funds or for those projects that will have a statewide impact will need clearinghouse approval.**

**To obtain additional information on GA clearinghouse process visit:  
<http://www.rurdev.usda.gov/ga/clearinghouse.htm>**

**If the project will require this review, the applicant must understand that this is their responsibility and should start this review process early. Additional information can be obtained at below website or calling Barbara Jackson at 404-656-3855**

**<http://www.opb.state.ga.us/SC%20Web%20Page%201/testfsp.html>**

ITEM 24

For companies listed on major stock exchanges and subject to the Securities and Exchange Commission regulations, a copy of Form 10-K,' Annual Report Pursuant to Section 13 or 15D of the Act of 1934."

**TIP: Obtain from CPA**

ITEM 26

Independent Feasibility Study (if applicable, see RD Instruction 4279-B)

**TIP: Required for start-up business or when business is moving into new market area or adding new product line.**

ITEM 27

Architectural or Engineering Plans (if applicable)

**TIP: Only if new development is planned.**

ITEM 28

Cost estimates and forecasts of contingency funds to cover cost increases or project changes

**TIP: Only needed if project has development cost.**

## ITEM 29

### Financial Statements:

- At least 3 years historical income statements and balance sheets (if an existing business), including parents, affiliate and subsidiary firms, Annual Audits if available;
- Current (not more than 90 days old) balance sheet and profit and loss statement (if an existing business);
- Pro-forma balance sheet (at startup);
- 2 years of projections: income statements, balance sheets and cash flow statements supported by a list of assumptions (monthly first year, quarterly for 2<sup>nd</sup> year).

**TIP: One of the most important items that the Applicant must provide to support the request.**

Are the projections realistic, and assumptions supportable? If historical income statements show annual losses, how will new loan turn the operation around to make profit?

## ITEM 30

Record of any pending or final regulatory or legal (civil or criminal) action against the business, parent, affiliate, proposal guarantors, subsidiaries, principal stockholders, officers, and directors

**TIP: Applicant must provide a written statement addressing this issue. If applicant has past due Federal Income Tax and does not have an approved workout plan with IRS, Agency cannot approve lender's request for B&I Guaranteed Loan. B&I Funds can not be used to pay past due income taxes.**

## ITEM 31

If a health care facility, a "Certificate of Need" (CON)

**TIP: CON requires hospitals and doctors to prove there is a need in the community before building a new hospital, ambulatory surgery center, or nursing home, or offer services, such as imaging or x-rays.**

CON also requires providers to serve indigent and charity patients who cannot afford to pay.

Current Georgia law exempts some physician-owned ambulatory surgery centers (ASCs) from showing the community needs their services and from providing indigent and charity care.

CON also prevents unnecessary facilities and duplication that drive up healthcare costs for everyone.

Visit the below site to review Q&A on CON request in Georgia.

<http://www.gsasc.org/pdfs/CON-FrequentlyAskedQuestions.pdf>

ITEM 32

Current personal (not more than 60 days old) and corporate (not more than 90 days old) financial statements on guarantors in Item 20, above.

**TIP: Note difference in acceptable age of statements. Personal, no more than 60 days old, and corporate, no more than 90 days old.**

Any person or entity with 20 percent or more ownership should be required to be guarantor.

## Submitting the Application

Submit complete application package in a 3-ring notebook with a table of contents, each section tabbed and pages within each section numbered. This submission will assist in a timely reply to the request. Submit one original.

If loan request is, over \$7.5 million provide original and one copy of application material.

Send to:  
USDA, Rural Development  
Mail Stop 305  
355 East Hancock Avenue  
Athens, Georgia 30601

**TIP: We suggest that the Lender use the below as a guide for items 1-15 when setting up Table of Contents and Sections within the application notebooks. All pages within each Section must have numbers, suggested format 1 of \_\_.**

Download Application Processing Checklist from the following website:

<http://www.rurdev.usda.gov/ga/rbschecklist.doc>

B&I Guarantee Loan application package consists of the following items:

1. A completed Form 4279-1, "Application for Loan Guarantee (Business and Industry)". The applicant completes Part A of the Application. The lender completes Part B.
2. Form RD 1940-20, "Request for Environmental Information," and attachments, Contact Rural Development to find out what level of environmental review will be required. Additional information may be request to allow the Agency to complete the environmental review. Items that typically may be required include floodplain maps, State and Federal wetlands maps, review by the State Historical Preservation Office (SHPO), determination of prime or important farmlands, determination of impact on endangered plant or animal species, and results of State SEQR review, if conducted.
3. A personal credit report from an acceptable credit reporting company for a proprietor (owner), each partner, officer, director, key employee, and stockholder owning 20 percent or more interest in the applicant, except for those corporations listed on a major stock exchange. Credit reports are not required for elected and appointed officials when the applicant is a public body.

4. State Clearinghouse or Intergovernmental consultation comments in accordance with RD Instruction 1940-J and 7 CFR, part 3015, subpart V and as instructed above:
5. Appraisals, accompanied by a copy of the appropriate environmental site assessment, if available. Copy of lender's appraisal review.
6. For all businesses, a current (not more than 90 days old) Balance Sheet, a pro forma Balance Sheet at startup, and projected Balance Sheets, Income and Expense Statements, and Cash Flow Statements for the next 2 years. Projections should be supported by a list of assumptions showing the basis for the projections. An accountant must prepare all statements in accordance with Generally Accepted Accounting Principles.
7. Lender's complete written analysis, including spreadsheets of the Balance Sheets and Income Statements for the 3 previous years (for existing businesses), pro forma Balance Sheet at startup, and 2 years projected yearend Balance Sheets and Income Statements, with appropriate ratios and comparisons with industrial standards (such as Dun & Bradstreet or Robert Morris Associates). All data must be shown in total dollars and also in common size form, obtained by expressing all Balance Sheet items as a percentage of assets and all income and expense items as a percentage of sales.

The Lender's credit analysis must address the Borrower's management, repayment ability including a cash-flow analysis, history of debt repayment, necessity of any debt refinancing, and the credit reports of the borrower, its principals, and any parent, affiliate, or subsidiary.

8. Commercial credit reports obtained by the Lender on the Borrower and any parent, affiliate, and subsidiary firms.
9. Current personal (no older than 60 days) and corporate (no older than 90 days) financial statements of any guarantors.
10. A proposed Loan Agreement or a sample Loan Agreement with an attached list of the proposed Loan Agreement provisions.
11. A business plan
12. Independent feasibility study, if required. Feasibility studies are usually required on new businesses and existing businesses if the business is being substantially changed or the historical statements do not support the ability of the company to repay the proposed debt. Contact Rural Development to determine if a feasibility study will be required for your project.

13. For companies listed on a major stock exchange or subject to the Securities and Exchange Commission regulations, a copy of SEC Form 10-K, "Annual Report Pursuant to sections 13 or 15D of the Act of 1934."
14. For health care facilities, a certificate of need, if required by statute.
15. A certification by the lender that it has completed a comprehensive analysis of the proposal, the applicant is eligible, the loan is for authorized purposes, and there is reasonable assurance of repayment ability based on the borrower's history, projections and equity, and the collateral to be obtained. This certification is included as part of the application form.

## Application Process When Requesting Loan Guarantees of \$600,000 or Less

The following information will assist a lender and borrower in submitting complete documentation to the Agency for a B&I Guaranteed loan request of \$600,000 or less using RD Form 4279-1A, "Application for Loan Guarantee," Business and Industry Short-one Doc.

The Agency will review and determine eligibility with 7 days from date complete application received.

### Required Items

1. The lender and borrower must complete Form 4279-1A, "Application for Loan Guarantee," B&I Short-one Doc with attachments identified on page 8 of the form (items 31 through 35). The form can be download at the below site:  
<http://www.rurdev.usda.gov/regs/forms/4279-1A.pdf>
2. The applicant must complete RD Form 1940-20, "Request for Environmental Information," and provide any supporting attachments so the lender can complete their review to determine if certain environmental issues should be addressed.
3. Lender's Loan Analysis
4. A proposed Loan Agreement with an attached list of the proposed provisions. The Loan Agreement must be executed by the lender and borrower before the Agency issues a Loan Note Guarantee.
5. Applicants current (not more than 90 days old) balance sheet .

The following items are required to be in the lender's file for review.

1. A personal credit report from an acceptable credit reporting company for a proprietor (owner), each partner, officer, director, key employee, and stockholder owning 20 percent or more interest in the applicant, except for those corporations listed on a major stock exchange. Credit reports are not required for elected and appointed officials when the applicant is a public body.
2. Appraisals, accompanied by a copy of the appropriate environmental site assessment, if available. Real Estate Appraisals must be completed by a Georgia Certified General Real Estate Appraiser. (Agency approval in the form of a Conditional Commitment may be issued subject to receipt of acceptable appraisals.)

3. Commercial credit reports obtained by the lender on the borrower and any parent, affiliate, and subsidiary firms.
4. Current personal (No more than 60 days old) and corporate financial statements of any guarantors (Not more than 90 days old)
5. A business plan.
6. Independent feasibility study, if required.

CRITICAL AREAS OF CONCERN IN B&I LOAN PROCESSING:

Equity:

A minimum of 10 percent tangible balance sheet equity will be required for existing businesses when the Agency issues the Loan Note Guarantee. A minimum of 20 percent tangible balance sheet equity will be required for new businesses when the Agency issues the Loan Note Guarantee. Tangible balance sheet equity will be determined in accordance with Generally Accepted Accounting Principles. The Agency analyzes the overall equity-to-asset ratio of the business on a pro forma basis to decide whether there is adequate solvency in the business. The following rules apply when calculating a business’s tangible balance sheet equity:

1. This is a pro forma test of the business’s equity position. This means it requires a projection of the applicant’s balance sheet once the B&I funded project is complete – i.e., the B&I loan is listed as a liability and assets being acquired are reflected.
2. Only business assets are included in the analysis. This is generally straightforward if the applicant is a corporation or partnership. When individuals are applying, personal assets, such as their home and assets not directly connected with the business must be excluded.
3. The test reflects cost not market values. The depreciated book value of assets is used in this test. Thus, appraisal surplus cannot be used to satisfy equity requirements. Remember this is not a collateral test.
4. In performing this test, the Agency considers only the tangible assets of the business. Intangible assets are excluded from consideration. Intangible assets include:

Expense “assets”	e.g., advertising, amortization costs, organization costs, financing expenses, development expenses, exploration expenses, R&D expenses
Contracts	e.g., franchises, licenses, publishing rights
Goodwill	
Mailing lists, subscription lists	
Patents, copyrights	
Proprietary rights	e.g., blending rights, bookplates, bottling rights, designs, dies, drawings, formulas, models, patterns, Trade names, brand names, labels
Items without tangible value	e.g., bond discounts, catalogs, debentures discounts

5. Only true equity counts toward this test. Subordinated debt and deferred loans are not considered equity. (Subordinated debt may be converted into stock to meet this requirement however.) In essence, the primary sources of tangible balance sheet equity are:
- cash,
  - paid-in equity investments,
  - and retained earnings.

**PRO FORMA TANGIBLE BALANCE SHEET EQUITY ANALYSIS**

Recommended format for calculating pro forma tangible balance sheet equity						
	Beginning Balance Sheet Position	Less Intangible Assets (1)	Equals Tangible Beginning Position	Debits (2)	Credits (3)	Equals Pro Forma Tangible Position
Total Assets						
Total Liabilities						
Equity						
					% Equity =	

(1) Itemize intangible assets:

(2) Itemize debits:

(3) Itemize credits:

## Adequate Collateral Test

RD Instruction 4279-B, Section 4279.131(b) & (e)

Lenders are discouraged from applying for a guarantee on loans that take personal residences as primary collateral to secure the loan. Historically, collection from personal residences has been very difficult. Adequate collateral should be only from business assets sufficient to secure the loan. Personal residences may be considered as additional or other collateral.

The Agency relies on the lender to submit requests that reflect fully secured loans. The Agency performs a review of the proposed collateral for the loan to satisfy itself that adequate security will be available.

In establishing collateral value, the value of the collateral is discounted by a factor. Historically Rural Development considers the following discounts to be in keeping with sound loan-to-value policy:

Real Estate: Normally 80% of the current appraised value

Chattels: 80% or less of the current appraised value. 60-70% will be typical.

Inventory: 60% or less of book value. Normally less.

Accounts Receivable: 60% or less of book value. Normally less. Exclude all A/R over 90 days past due, exclude all A/R from owners, officers, employees, or affiliates.

Personal guaranties: No value is given to them in this test.

Insurance: No value is given to insurance in this test.

Stock: No Value for privately owned stock

Additional factors used in determining the discount factor.

- Lien position
- The marketability of the collateral
- The degree to which the collateral is highly specialized or single purpose
- The age and condition of the collateral

Working capital loans. These loans must be adequately secured based on assets already owned by the business. The value of inventory and accounts receivable to be acquired with such loans will normally not be considered.

## Collateral

- Collateral must have documented value sufficient to protect the interest of the lender and the Agency and, except as set forth in paragraph (2) of this section, the discounted collateral value will be at least equal to the loan amount. Lenders will discount collateral consistent with sound loan-to-value policy.
- Some businesses are predominantly cash-flow oriented, and where cash flow and profitability are strong, loan-to-value coverage may be discounted accordingly. A loan primarily based on cash flow must be supported by a successful and documented financial history.
- Make sure that all worthwhile collateral is pledged to the project, but do not require assets with little or no collateral support to be pledged mainly for cosmetic reasons.

## Appraisals

RD Instructions 4279-B, Section 4279.144.

The appraiser will be selected and engaged directly by the Bank or its agent. The appraiser's client is the bank, not the borrower. To maintain the integrity of the appraisal process, the borrower should not participate in the process except for providing information regarding the collateral to the appraiser. Additionally, the Agency will not accept an appraisal ordered by or prepared for the borrower. An appraisal prepared for the borrower also cannot be readdressed to a bank, as it remains a prohibited borrower-ordered appraisal. It is the Agency's position that any supporting information used by the appraiser must be provided to the lender and not addressed to the borrower.

The Federal Reserve requires financial institutions to have an effective, independent real estate appraisal and evaluation program. The Federal Reserve further requires that appraisers performing reviews must possess the knowledge and expertise to assess compliance with the Federal Reserve's appraisal regulations and guidelines.

- The value opinion to be developed is Market Value.
- Any other values developed by the appraiser in addition to Market Value (Going Concern Value, Business Value, Personal Property Value, etc.) are to be allocated separately.
- Furniture, Fixtures and Equipment (FF&E), other personal property, trade fixtures, or intangible items that are not real property but are included in the appraisal are to be valued separately from the real estate. The appraiser

must analyze the effect on value of these items that are not real property but are included in the appraisal.

- All real property appraisals will meet Standards 1 and 2 of the Uniform Standards of Professional Appraisal Practice (USPAP) and be signed by a GA Certified General Real Estate Appraiser.
- The real property appraisal report must be prepared as a Self-Contained Appraisal Report or a Summary Appraisal Report in accordance with Standard 2 of the Uniform Standards of Professional Appraisal Practice.
- The real property interest to be valued is Fee Simple Estate unless otherwise specified.
- USDA Rural Development should be listed as an intended user. Rural Development's intended use of the appraisal would be for use in evaluating the subject property for lending guarantee or account servicing purposes.
- The scope of work necessary to complete the appraisal assignment must include a review of all recent feasibility studies, business plans, and Transaction Screen Questionnaire/Phase I Environmental Site Assessment.
- The appraiser should include a discussion of the items mentioned above, in the appraisal based on Advisory Opinion 9 (AO-9) of the Uniform Standards of Professional Appraisal Practice.
- The Agency is to receive an original and one copy of the appraisal report, and two copies of the lender's appraisal review.
- Personal Property appraisal development and reporting should be done in accordance with Standards 7 and 8 of the Uniform Standards of Professional Appraisal Practice.

Instruction 4279-B, Section 4279.144, Appraisals: "Chattels will be evaluated in accordance with normal banking practices and generally accepted methods of determining value." Consider the experience and credentials of the appraiser. Should have expertise in the type of equipment being appraised.

- Determine the Market Value of the equipment
- Appraisals should be prepared for the lender, with USDA listed as an intended user.
- Lenders will ensure that the machinery listed will include a description: Manufacturer, serial number, age, acquired price, present market value, and the appraisal will include liquidation value.

- The appraisal should have the appraiser's signature.
- Some appraisers include pictures of the equipment.
- New equipment is typically not appraised, the value is considered at cost.
- Factors to consider are: Salability, obsolescence, age, and special purpose use. If multiple sites, the location of the equipment being appraised should be noted.

## ENVIRONMENTAL ANALYSIS

Reference: RD Instruction 1940-G, Sections 1940.310, 311 & 312  
 The applicant must complete RD Form 1940-20, "Request for Environmental Information," and provide any supporting attachments so the lender can complete their review to determine if certain environmental issues should be addressed.

RD Form 1940-20 can be downloaded at the below site:

<http://www.rurdev.usda.gov/regs/forms/1940-20.pdf>

**TIP: Guidance for the completing RD Form 1940-20 can be downloaded from the below website: (Forms Manual Insert)**  
<http://www.rurdev.usda.gov/regs/fmi/fm1940-20.pdf>

**TIP: Item 3 of RD Form 1940-20 asks if certain land use or environmental resources will be affected by the approval of this project or located within or adjacent to project site. If an item is marked with a "Yes" in Item 3 of RD Form 1940-20, describe the nature of the effect on the resource affected by the project and who the primary beneficiaries are after the requested loan is closed. This should be listed as an attachment marked Exhibit II to RD Form 1040-20.**

**TIP: As stated on page 2, Section (2) (b) of RD Form 1940-20 forms manual insert, if one or more items 17 through 22 is checked "yes" or "unknown," the Agency will have to process the as a class II review.**

As a federal program, all B&I assistance is subject to the National Environmental Policy Act (NEPA) and other federal guidelines designed to assure that federally-supported projects do not harm the environment. Consequently, the Agency must complete an environmental analysis on all B&I projects.

This analysis is in addition to any environmental review undertaken under the Georgia Quality Act (GEQA) or in connection with collateral issued (e.g., Phase I or Phase II studies.)

The level of Agency environmental review required depends on the nature of the project ranging from “Categorical Exclusion” to “Class I” to “Class II” – in order of increasing complexity.

Class II projects, and occasionally Class I projects, require published public notices and public comment periods. The level of review therefore may effect the time needed to complete B&I application processing.

General Predictors for Level of Environmental Review:

The Agency always looks at the overall project being financed, not just the B&I loan purposes.

The following projects are nearly always Categorical Exclusions (the simplest & fastest review):

- Debt refinancing
- Transfer of ownership
- Working capital
- Machinery & Equipment
- Acquisition or use of an existing facility (purchase or lease)
- Building renovation (if the building is less than 50 years old)

Exceptions: Surface mining, logging/clearing of 35+ acres. Also, the presence of important resources (e.g., floodplain, prime farmland, or wetland) may call for a higher level review.

The following projects may be Class II, Class I, or Categorical Exclusions depending on the project:

- Expansion of real estate improvements on already-developed land
- New real estate improvements on undeveloped land
- Renovation/removal of 50+ year old building

Categorical exclusion, if:

Minimal change in use, size, capacity, purpose, & location of existing facility

Class I, if:

Further development or a previously developed site

Renovation/removal of 50+ year old building

Development of an undeveloped site when the property is:

A small site (Generally <5 acres);  
A city lot;  
In a built up commercial area;  
Or in an industrial park.

Class II, if:

Development of undeveloped site when the property is:

A large site (>5 acres);

Or remote or undisturbed.

1. "Substantial" traffic congestion will be generated.
2. "Substantial" amounts of hazardous/toxic/radioactive/odorous waste will be generated.
3. Aquaculture facility development or expansion
4. Group home/medical facility adding 25 beds or increasing beds by 25%.

## OVERVIEW OF LENDER'S FUNCTIONS AND RESPONSIBILITIES

### RD INSTRUCTION 4279-A, Section 4279.30

Lenders have the primary responsibility for the successful delivery of the B&I loan program. All lenders obtaining or requesting a B&I loan guarantee are responsible for:

- Processing applications for guaranteed loans,
- Developing and maintaining adequately documented loan files,
- Recommending only loan proposals that are eligible and financially feasible,
- Obtaining valid evidence of debt and collateral in accordance with sound lending practices,
- Supervising construction,
- Distribution of loan funds,
- Servicing guaranteed loans in a prudent manner, including liquidation if necessary,
- Following Agency regulations, and
- Obtaining Agency approvals or concurrence as required.

#### Credit Evaluation.

The lender must analyze all credit factors associated with each proposed loan and apply its professional judgment to determine that the credit factors, considered in combination, ensure loan repayment. The lender must have an adequate underwriting process to ensure that loans are reviewed by other than the originating officer.

The lender's complete written analysis should include spreadsheets of the Balance Sheets and Income Statements for the 3 previous years (for existing businesses), pro forma Balance Sheet at startup, and 2 years projected yearend Balance Sheets and Income Statements, with appropriate ratios and comparisons with industrial standards (such as Dun & Bradstreet or Robert Morris Associates).

All data must be shown in total dollars and also in common size form, obtained by expressing all Balance Sheet items as a percentage of assets and all income and expense items as a percentage of sales.

The lender's analysis must address the borrower's management ability as it relates to this business, repayment ability including a cash-flow analysis, history of debt repayment, necessity of any debt refinancing, and the credit reports of the borrower, its principals, and any parent, affiliate, or subsidiary.

The lender's collateral analysis will need to address the appraisal report including information on date report was prepared, credentials of the appraiser and reported market value.

Also, address the results of the lender's administrative review of the appraisal report(s). Include general comments about marketable of the collateral, the degree to which the collateral is highly specialized or single purpose, the age and condition of the collateral.

The collateral must have discounted value sufficient to protect the interest of the lender and the agency. The lender will discount the collateral consistent with sound loan-to-value and any environmental concerns.

#### Environmental Responsibilities.

Lenders have a responsibility to become familiar with Federal environmental requirements; to consider, in consultation with the prospective borrower, the potential environmental impacts of their proposals at the earliest planning stages; and to develop proposals that minimize the potential to adversely impact the environment.

Lenders must alert the Agency to any controversial environmental issues related to a proposed project or items that may require extensive environmental review. Lenders must help the borrower prepare Form RD 1940-20, "Request for Environmental Information" (when required by subpart G of part 1940); assist in the collection of additional data when the Agency needs such data to complete its environmental review of the proposal; and assist in the resolution of environmental problems.

## TERM LOAN AGREEMENT

The Term Loan Agreement must address the following requirements:

- Prohibition against assuming liabilities or obligations of others
- Restriction on dividend payment
- Limitation on the purchase or sale of equipment and fixed assets
- Limitation on compensation to officers and owners
- Minimum working capital or current ratio requirement
- Maximum debt-to-net worth ratio
- Restrictions concerning consolidations, mergers, or other circumstances
- Limitations on selling the business without the concurrence of the Lender
- Repayment and amortization of the loan
- List of collateral and lien priority for the loan including a list of persons and corporations guaranteeing the loan with a schedule for providing the Lender with personal and corporate financial statements
- Financial statements on the corporate and personal guarantors must be updated at least annually
- Type and frequency of financial statements to be required for the duration of the loan
- The final Loan Agreement between the Lender and Borrower will contain any additional requirements imposed by the Agency in its Conditional Commitment.

## LENDER ROUTINE SERVICING

The lender is responsible for servicing the entire loan and for taking all servicing actions that a prudent lender would perform in servicing its own portfolio of loans that are not guaranteed.

The Loan Note Guarantee is unenforceable by the lender to the extent any loss is occasioned by violation of usury laws, use of loan funds for unauthorized purposes, negligent servicing, or failure to obtain the required security interest regardless of the time at which the Agency acquires knowledge of the foregoing.

- Lender Reports. The lender must report the outstanding principal and interest balance on each guaranteed loan semiannually using Form RD 1980-41, "Guaranteed Loan Status Report." (On Line)
- Loan Classification. Within 90 days of receipt of the Loan Note Guarantee, the lender must notify the Agency of the loan's classification or rating under its regulatory standards. Should the classification be changed at a future time, the Agency must be notified immediately.
- Agency and Lender Conference. At the Agency's request, the lender will meet with the Agency to ascertain how the guaranteed loan is being serviced and that the conditions and covenants of the Loan Agreement are being enforced.
- Financial Report. The lender must obtain and forward to the Agency the financial statements required by the Loan Agreement. Submit annual financial statements to the Agency within 120 days of the end of the borrower's fiscal year.
- The lender must analyze the financial statements and provide the Agency with a written summary of the lender's analysis and conclusions, including trends, strengths, weaknesses, extraordinary transactions, and other indications of the financial condition of the borrower. Spreadsheets of the new financial statements must also be included.
- Additional Expenditures. The lender will not make additional loans to the borrower without first obtaining the prior written approval of the Agency, even though such loans will not be guaranteed.

## LENDER'S ANNUAL FINANCIAL ANALYSIS REVIEW

At a minimum, the lender is required to prepare the ratios identified below and to provide those ratios to the Agency, along with its written summary of the analysis. Promptly obtaining and reviewing financial information from the borrower can reveal financial red flags that indicate problems the borrower may be experiencing and has not disclosed. These indicators provide guidance for adequately servicing the loan. It is important to note that every borrower is different, economic conditions change, industry conditions are not constant, and public policy and community relations affect how lenders deal with problem loans.

The lender's financial statement analysis should include at a minimum, but is not limited to, the following:

- **Current Ratio:** Measures the ability of a company to pay its currently maturing obligations on a timely basis. It shows the amount of protection provided by current assets of a company relative to its current liabilities.
- **Quick Ratio:** Expresses the degree to which current liabilities of a company are covered by the most liquid current assets. This acid test ratio is a more stringent measure of liquidity than the current ratio, because the quick ratio includes only the most liquid current assets or those that can be quickly converted to cash at amounts close to their book value.
- **Days Accounts Receivable Ratio:** Expresses the average time in days that receivables are outstanding. The collection period varies greatly for different types of companies, and it is important to make comparisons with similar companies or to look at trends over time.
- **Days Inventory Ratio:** Measures the company purchasing, selling, and manufacturing efficiency, but is meaningful only in relation to the company's past performance and to the performance of similar companies in the same industry.
- **Debt-to-Worth Ratio:** Provides an indication of how well the investment of the shareholder in the company protects a creditor debt. It also measures how much the shareholders have at risk versus how much the creditors have at risk and, thus, the strength of the company capital structure.
- **Times-Interest-Earned Ratio:** Measures what proportion of the company earnings is needed to pay interest on its debt. A ratio of 1 is almost mandatory, since a lower ratio would indicate company earnings are insufficient to cover the interest on its debt.

- Debt Service Coverage Ratio: Measures the proportion of a company's net profit and non cash expenses that will be needed to pay the principal portion of long-term debt in the coming year.
- Return-on-Sales Ratio (or Net Profit Margin): Measures the extent to which revenues of a company exceed all its expenses, that is, how much profit the company earns on each dollar of sales.
- Return-on-assets: Measures the profitability of a company in terms of how efficiently it uses its assets.
- Return-on-Equity Ratio: A high return, normally associated with effective management, could indicate an under-capitalized firm. A low return, usually an indicator of inefficient management performance, could reflect a highly capitalized, conservatively operated business.

## LENDER'S AGREEMENT, RD FORM 4279-4

### A QUICK GUIDE TO LENDER SERVICING RESPONSIBILITIES

- Obtaining compliance with the covenants and provisions in the note, loan agreement, security instruments, and any supplemental agreements and notifying in writing the Agency and the Borrower of any violations.
- Receiving all payments on principal and interest on the loan as they fall due and promptly remitting and accounting to any Holder of its pro rata share thereof determined according to their respective interests in the loan, less only Lender's servicing fee.
- The loan may be re-amortized, renewed or rescheduled only with agreement of the Lender and Holder of the guaranteed portion of the loan and only with the Agency's written concurrence.
- Inspecting the collateral as often as necessary to properly service the loan.
- Assuring that adequate insurance is maintained. This includes hazard insurance obtained with a loss payable clause in favor of the Lender as the mortgagee or secured party.
- Assuring that: taxes, assessment or ground rents against or affecting collateral are paid; the loan and collateral are protected in foreclosure, bankruptcy, receivership, insolvency, condemnation, or other litigation, insurance loss payments, condemnation awards, or similar proceeds are applied on debts in accordance with lien priorities on which the guarantee was based; proceeds from the sale or other disposition of collateral are applied in accordance with the lien priorities on which the guarantee is based, except that proceeds from the disposition of collateral, such as machinery, equipment or fixtures, may be used to acquire property of similar nature and at least equal value for which the lender will obtain a lien position equal or superior to the position previously held and obtain the written approval of the Agency when the cumulative value is in excess of 20 percent of the original loan; the Borrower complies with all laws and ordinances applicable to the loan, the collateral and operation of the business.
- Assuring that if personal or corporate guarantees are part of the collateral, current financial statements from such loan guarantors will be obtained and copies provided to the Agency at such time and frequency as required by the loan agreement or Conditional Commitment for Guarantee. In the case of guarantee secured by collateral, assuring the security is properly maintained.
- Obtaining the lien coverage and lien priorities specified by the lender and agreed to by the Agency, properly recording or filing lien or notice instruments

to obtain or maintain such lien priorities during the existence of the guarantee by the Agency.

- Assuring that the Borrower obtains marketable title to the collateral.
- Assuring that any party liable is not released from liability for all or any part of the loan, except in accordance with the Agency regulations.
- Providing electronically loan status reports semiannually as of June 30 and December 31 on Form RD 1980-41, "Guaranteed Loan Status Report."
- Obtaining from the Borrower periodic financial statements as required in the loan agreement with the borrower. At a minimum, annual financial statements must be forwarded by the lender, with a credit analysis, to the Agency's servicing office within 120 days of Borrowers fiscal year end.
- Ensuring that the borrower complies with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation. The Lender will monitor the use of loan funds to assure they will not be used for any purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

## DEFAULT BY BORROWER

RD Instruction 4287-B, Section 4287.145

1. The lender must notify the Agency when a borrower is 30 days past due on a payment or is otherwise in default of the Loan Agreement. Form RD 1980-44, "Guaranteed Loan Borrower Default Status," will be used and the lender will continue to submit this form bimonthly until such time as the loan is not longer in default. If a monetary default exceeds 60 days, the lender will arrange a meeting with the Agency and the borrower to resolve the problem.
2. In considering options, the prospects for providing a permanent cure, without adversely affecting the risk to the Agency and the lender, is the paramount objective.
3. Curative actions include but are not limited to:
  - Deferment of principal (subject to rights of any holder);
  - An additional unguaranteed temporary loan by the lender to bring the account current;
  - Re-amortization of or rescheduling the payments on the loan (subject to rights of any holder);
  - Transfer and assumption of the loan in accordance with Section 4287.134 of RD Instruction 4287-B;
  - Reorganization;
  - Liquidation;
  - Subsequent loan guarantees; and
  - Changes in interest rates with the Agency's, the lenders, and the holder's approval, provided that the interest rate is adjusted proportionately between the guaranteed and unguaranteed portion of the loan and the type of rate remains the same.
4. In the event a deferment, rescheduling, re-amortization, or moratorium is accomplished, it will be limited to the remaining life of the collateral or remaining limits as contained in RD Instruction 4279-B, Section 4279.126, whichever is less.