



# NEWS RELEASE

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## Higher Loan Approval Limit Results in Quicker Loan Response Time

**April 17, 2008 Lincoln, Nebraska**—The \$7.5 million loan approval and processing authority recently received by USDA Rural Development in Nebraska will result in quicker turnaround time on business and energy guaranteed loans in the state. Previously, Nebraska Rural Development had an in-state approval authority up to \$3 million.

“The increased lending authority will greatly enhance our ability to diversify our portfolio and continue to grow our high profiled Business & Industry and 9006 Energy Guaranteed programs,” stated Nebraska State Director Scot Blehm, USDA Rural Development.

Lenders are encouraged to consider USDA Rural Development’s Business and Industry (B&I) Guaranteed Loan program when looking for the best financing for their clients. The program serves as a credit tool to a lender that is conducive to various business scenarios while yielding the lender desirable returns. This fiscal year to date, Nebraska has approved over \$15 million in loan guarantees; which includes a hotel, a hay company and a processing facility.

### Business and Industry Guaranteed Loans Feature:

- Maximum Guarantee Limits:
  - ✓ 80% Guarantee – loans up to \$5 million
  - ✓ 70% Guarantee – loans from \$5 - \$10 million
  - ✓ 60% Guarantee – loans from \$10 - \$25 million
  - ✓ Guarantees on loans up to \$40 million are allowable
- Extended Terms:
  - ✓ Real Estate – 30 years
  - ✓ Machinery and Equipment – 15 years
  - ✓ Working Capital – 7 years
- Interest Rate
  - ✓ Negotiated by Lender and Borrower
  - ✓ Fixed or Variable Rate
- Secondary Market Benefits:
  - ✓ 100% of guaranteed portion sellable on secondary market
  - ✓ Minimum of 5% of total loan must be retained by lender
- Other Features:
  - ✓ Guarantee fee of 2% can be financed into the loan
  - ✓ 1% fees allowed in certain circumstances
  - ✓ Annual renewal fee currently set at .25%

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- ✓ Lender is allowed to charge routine servicing fees to borrower
- ✓ Loans made to businesses in population limits of 50,000

“The higher loan approval means that once our loan committee signs off on a project that is within the new loan approval limit; that the loan can then be approved and submitted for obligation of funds from our office,” stated Business Programs Director Karissa Berks, USDA Rural Development. “Previously, if a loan application passed the committee but exceeded the loan approval ceiling, it would then go to our National Office for review and approval which naturally is a lengthier process. The higher authority coupled with Rural Development’s implementation of the One-Doc process, which reduces lenders’ paperwork on loans up to \$600,000, are great assets to faster loan decisions.”

Guaranteed loans are also accessible through the 9006 Renewable Energy Systems and Energy Efficiency Improvements Guaranteed Loan program (9006). Through this program, lenders are able to assist businesses with the purchase of renewable energy systems or to make energy efficiency improvements. This program works much like the B&I program with the exception that loan guarantees may be up to 85 percent with a set 1 percent guarantee fee.

The guarantee programs provide many lender benefits such as the expansion of lending portfolios, the ability to make loans above the banks’ legal lending limits, longer terms and lower interest rates as well as increased earnings through participation in the secondary market. Additionally guaranteed loans mitigate concerns of collateral/appraisal issues often found in smaller communities. The guarantee loan programs also offer a means to boost job opportunities and to improve the economic climate in banks’ local communities. Businesses gain credit stability, economic growth, expansion and increased employment opportunities.

USDA Rural Development, in the last two fiscal years combined, assisted lenders with over \$30 million in guaranteed loan funds. Dollars expended resulted in the construction and expansion of a wide range of businesses which included a furniture store, hotel, carpet company, CO2 facility, backhoe business, grocery store, and equipment dealerships. Nebraska was one of the few states to approve a \$35 million guarantee to assist with the construction of an ethanol facility; utilizing both the 9006 and the B&I guaranteed programs.

USDA Rural Development provides more than \$100 million annually in federal assistance to rural Nebraska in areas of housing, business, community facilities, utilities and energy.

Lenders interested in utilizing the guaranteed loan programs should contact Joan Scheel, Business Programs Specialist at [joan.scheel@ne.usda.gov](mailto:joan.scheel@ne.usda.gov), (402) 437-5594; or Karissa Berks, Business Programs Director at [karissa.berks@ne.usda.gov](mailto:karissa.berks@ne.usda.gov), (402) 437-5568. You may also contact a business specialist in Rural Development offices located statewide. Visit [www.rurdev.usda.gov/ne](http://www.rurdev.usda.gov/ne) to find the office nearest you.

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