



Features of the B&I-ARRA Guaranteed Loan Program

Business & Industry Guaranteed Loan Program under the American Recovery and Reinvestment Program (B&I-ARRA)

General Guidelines

- **B&I-ARRA is an enhanced B&I program.** Except as outlined below, the program works exactly like the regular B&I guaranteed loan program. In essence, B&I-ARRA is an enhanced B&I program designed to help lenders extend commercial loans to rural businesses of all sizes and thereby overcome the “credit crunch on Main Street”.

Enhancements

- **Ample funding.** \$1.7 billion of new rural business lending will be guaranteed nationwide. This is equivalent to roughly twice the level of past annual B&I activity nationwide.
- **National pool.** Rather than subdivide the funding into artificial, smaller and potentially inadequate “State allocations”, B&I-ARRA guarantees will be funded as requested from a central pool. This eliminates the concern over a State “running out of money”.
- **Reduced, 1% guarantee fee.** The standard 2% B&I guarantee fee is halved to 1% of the guaranteed amount. For example, the B&I-ARRA guarantee fee for a \$1 million loan receiving a 80% guarantee would be \$8,000 (= \$1,000,000 x 80% x 1%) vs. \$16,000 under the regular B&I program.
- **No annual renewal fee.** The standard ¼% annual renewal fee is *eliminated*. This provides significant savings to the borrower, who typically pays this fee. Over the course of a 25-year loan, a this could save a rural business roughly \$32,000.
- **90% guarantee for “high priority loans”.** * Loans that support Quality Jobs in Distressed/Underserved Areas can qualify for **90% guarantees on loans up to \$10 million**. By contrast, the standard B&I guarantee is 80% on loans up to \$5 million and 70% on larger loans up to \$10 million.

“High priority loans” are ones that score a minimum of 55 points under the B&I scoring system. A full explanation of the B&I scoring system is online at: <http://www.rurdev.usda.gov/or/biz/BIscore.pdf>
Normally, a loan will score 55 points if it has these two features:

1. **Quality Jobs.** The business being financed pays an average wage rate of at least \$9.07 per hour (more than 125% of the Federal Minimum Wage);
2. **Distressed Community.** The business is in an area experiencing *any* of the following:
 - a) High unemployment. More than 125% of the national unemployment rate – see map on page 2.
 - b) Underserved area or underrepresented group. *Either* a business located in an area that has historically not benefited from B&I assistance *or* a minority-owned or women-owned business – see map on page 2.
 - c) Out-migration. Population loss each decade for the past 40 years – none in Oregon.
 - d) Persistent Poverty. Over 20% poverty rate for the past 30 years – none in Oregon.

Oregon's high State minimum wage combined with its recent economic woes mean that projects in many of the state's 36 counties should qualify for 90% guarantees. Projects in the remaining counties may still qualify depending on the nature of the project. [See map on next page.](#)

Rural Oregon’s Distressed Communities – in green

	<p>Under-Served Counties *:</p> <p>Benton Crook * Curry Gilliam Grant * Harney * Hood River Jackson Jefferson * Josephine * Klamath *</p>	<p>Lake * Malheur Marion Morrow Polk Sherman Tillamook Wallowa * Wasco Wheeler</p> <p>(" * " means also a high unemployment county)</p>	<p>High Unemployment Counties** (though not "under-served"):</p> <p>Columbia Coos Deschutes Douglas Linn Union</p> <p>(" ** " subject to monthly change)</p>
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Projects in **green** counties may qualify for 90% guarantees.
 Projects in **dark** counties may qualify for 90% guarantees if they are women- or minority-owned.

Restrictions

- o **Ineligible projects.** B&I-ARRA assistance is not available for:
 - Aquariums, museums, zoos
 - Convenience stores (unless the store provides "Quality Jobs" as defined above and sells or will sell E85 fuel upon completion of the project)
 - Hotels, motels, or other facilities if they have a pool or water park
 - Golf courses, casinos, and other gambling establishments (which are ineligible for regular B&I too)
- o **Construction projects (>\$2,000).** B&I-ARRA can support fully-amortized loans for construction projects. However, when more than \$2,000 will be spent for construction, alteration, or repair (including painting and decorating), Davis-Bacon Prevailing Wage requirements apply.
- o **Public Works projects.** B&I-ARRA can support loans for public bodies (e.g., municipalities). However, for such projects, "Buy American" requirements apply to all purchased materials (iron, steel, etc.) and equipment.
- o **Vehicles.** If these are to be financed, only American vehicles may be purchased.

Process

- o Unlike the regular B&I program, B&I-ARRA funds may only be disbursed with the concurrence of the Secretary of Agriculture. This concurrence assures B&I-ARRA projects are those with the greatest impact. This review is completed simultaneously with regular underwriting.
- o USDA Rural Development will work on a project-by-project basis to assure the timely delivery of B&I-ARRA funds.

Reporting and Transparency

- o The Federal Government is committed to the highest level of transparency in the use of all ARRA funds. Because regular B&I reporting requirements already meet this standard, no additional reporting is required.
- o B&I-ARRA borrowers must maintain records on the use of loan proceeds.
- o Basic information about B&I-ARRA loans may be posted on the recovery.gov website.

More information at: <http://www.rurdev.usda.gov/or/bi.htm>