



Committed to the future of rural communities.

Idaho—Rural Business and Cooperative Service

Capital Markets

Long Standing USDA Partner Offers Rural Businesses Loan Options

Outline Of Need:

As more local banks failed and bank regulators tighten capital requirements, many rural businesses were faced with new servicers who had taken over their previous lenders' portfolios. As a result, many of the new servicers refused to renew lines of credit as well as refusing to refinance their permanent term financing when the loan was due to reset. With dropping collateral values, these businesses had few options, with some closing their doors while others turned to hard money lenders. Simultaneously, many banks reduced their commercial lending staff, reducing the time available for bank personnel to work with potential borrowers.

How Rural Development Helped:

In partnership with Business Lending Solutions, a division of Region IV Economic Development Association, Rural Development was able to increase the loan options available to rural businesses and assistance in compiling the necessary documents and packaging those documents in a loan package for the bank to review and fund using a variety of different loan products, to include SBA and USDA programs. Region IV was awarded a \$20,000 Rural Business Enterprise Grant (RBEG) to reimburse the costs of providing technical assistance to these businesses.

Fast Facts

Program: Rural Business Enterprise Grant (RBEG)

Investment: \$20,000 Grant for TA & \$99,000 Grant for RLF

Partners: Region IV Economic Development Association, Local banks

Leveraged: Private non-profit funds \$6,000 and 20+ years of lending experience

Impact:

- Three businesses assisted immediately, saving 4 jobs and creating another 4



Nourishme owner, Julie Johnson, assists a local patron. The health food store was financed through an IRP loan to Business Lending Solutions. The store distributes several products made possible through USDA's Value-added Producer Grant.

Additionally, Region IV successfully competed nationally for a \$99,000 RBEG for seed money to start up a micro-loan program to compliment their existing Intermediary Relending Program (IRP) revolving loan funds, expanding their service to a new segment of rural borrowers..

The Results:

A start-up mortuary successfully secured bank financing after BLS packaged their loan documents for a B&I loan guarantee. In addition to assisting the mortuary business in creating jobs, it also assisted the business that owned the building leased by the mortuary. Previous to BLS assistance, a specialty manufacturer with strong revenues, lacked adequate cash flow for operations. After working with the business to analyze his cash flow needs, which was complicated by shipping containers internationally, the specialty manufacturer obtained bank loan approval in a sufficient amount and supported by their asset base. Banks' limited resources can now focus on underwriting the application rather than compiling the loan package, increasing the number of businesses going before the loan committee.

August 2011