

## QUICK GUIDE FOR SCREENING BUSINESS & INDUSTRY GUARANTEED LOAN PROSPECTS

**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 zip code at below website

<http://www.ers.usda.gov/data/LoanLookup/>



**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/regs>



**Will jobs be created or saved?**



### **Special requirements**

Business is majority-owned by US citizens or permanent residents.

No 20%+ 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**

(Discounting *current appraisal* values per lender's loan policy

Real Estate by 80%, M&E 70-60%, Inventory 50%, AR 50%)



### **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)

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### **Reminder**

Unprofitable, undercapitalized and poorly managed businesses do not provide stable employment sources and projections must be based on supportable information.



**Find out more at:**  
[www.rurdev.usda.gov/ga/](http://www.rurdev.usda.gov/ga/)

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