

Guaranteed Lending Provides Advantages for All Involved

Guaranteed lending is one of the most popular and valuable services offered by USDA Rural Development to lending institutions throughout Iowa. How it works is rather simple, and there are many benefits to all participants including borrowers, lenders, and even local communities.

During the past year, USDA Rural Development worked with more than 180 lenders in Iowa to guarantee loans totaling \$100 million for business development projects, community facilities, and housing opportunities.



USDA Rural Development recently approved a \$3.2 million loan guarantee to Sibley State Bank for a new service center, convenience store, and fast food restaurant near Sibley. "Without assistance from Rural Development this project would not have materialized," said Karl Bormann, president, Sibley State Bank.



Ackley State Bank received a \$2.5 million loan guarantee from USDA Rural Development for a new memory-care unit at the Presbyterian Village in Ackley. "Loans of this size in rural communities are sometimes difficult for banks to fund, but the guarantee made our decision easier," said Kent Stensland, president, Ackley State Bank.

Business Programs

A specific area of guaranteed lending that has seen tremendous growth during the past few years is Rural Development's **Business and Industry Guaranteed Loan Program**. Business and Industry loan guarantees can be made to individuals, including investors, not-for-profit and for-profit businesses with projects located in communities of less than 50,000 population.

Loans can be for typical business needs in **amounts up to \$25 million** (\$40 million for cooperative organizations), with **guarantee percentages up to 80%**.

Lenders using the Business and Industry Guaranteed Loan Program find they have more control of the loan package and can make a single loan with longer amortization. Business and Industry Loans up to \$10 million are processed and approved by in-state Rural Development staff, which allows for faster turn around time for lenders and their customers. Other benefits of the program include flexible interest rates and terms, which are negotiated between the lender and borrower, fewer fees and prepayment restrictions to help assist more applicant types, as well as no upper limit on business size, net worth, or net profits of the applicant.

Business and Industry Guaranteed Loans help **to mitigate legal lending limit; provide additional comfort for conventional credit; and earn higher fee income versus lower interest income.**

Community Programs

The **Community Facilities Guaranteed Loan Program** helps lenders finance community facilities located in rural areas with a population up to 20,000. Types of projects include **health care, cultural and educational, fire, rescue and public safety, public buildings and recreational facilities.**

The **Water and Waste Guaranteed Loan Program** helps lenders finance **water and wastewater systems, solid waste disposal and storm water disposal systems** in rural areas with a population up to 10,000.

Under both programs, Rural Development will **guarantee up to 90% of the lender's loan**. Guaranteed loans funds are typically used for real estate, fixtures, furniture and equipment. Rates and terms are negotiated between the lender and the loan applicant. The lender's applicant must be a public body, nonprofit or tribal government. A 1% guarantee fee is required.

One of the many benefits of the Community Facilities and Water and Waste Guaranteed Loan Programs is providing lenders with a **credit enhancement for projects that may lack a consistent revenue source and traditional collateral**. The guarantee helps to alleviate this risk.

Guaranteed Energy Loans Due June 16

Guaranteed loans up to \$10 million are available to help rural small businesses or agricultural producers looking to purchase renewable energy systems or make energy-saving improvements to their facilities or farms. The guaranteed loan must not exceed 50% of the eligible project cost and may be combined with possible grant funding of up to 25% of the project. **Deadline for applications**

their facilities or farms. The guaranteed loan must not exceed 66% of the eligible project cost and may be combined with possible grant funding of up to 25% of the project. **Deadline for applications is June 16, 2008.**

Applications for all other Business and Community Programs guaranteed lending programs are accepted year round. Plenty of funding is available.

Helpful Links

[Iowa Rural Development Home Page](#)

[Map of Rural Development Offices and Staff Contact Information](#)

[Guaranteed Lending Program Fact Sheet](#)



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