



Committed to the future of rural communities.

United States Department of Agriculture
Rural Development

Examples of USDA Rural Development Business and Industry Loan Guarantees by Project Type

Applicant Project Type

For profit

Individual	<ul style="list-style-type: none"> Investor owned real estate that is leased back to the investor owned operating entity.
Corporation	<ul style="list-style-type: none"> Assisted living service provider Beef slaughter and further processing Bio fuel manufacturing Building supply Carbon dioxide manufacturing Cold storage Food ingredient manufacturing Grain milling Greenhouse Lumber yard Movie theatre complex Motel Nursing home Retail Transportation Value added agriculture (multiple food ingredients, seed and sod) Various manufacturing Wholesale
Cooperative	<ul style="list-style-type: none"> Cheese manufacturing Distributor Bio fuel manufacturing Poultry slaughter and further processing Fuel and convenience store retail center

Not for profit

Community development foundations and organizations	<ul style="list-style-type: none"> Medical services Youth shelter services Retail
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Iowa Loan Guarantee Portfolio Realities (as of September 30, 2007)

- 34% of projects located in communities under 1,000 population; 74% of projects located in communities under 5,000 population; 91% of projects located in communities under 10,000 population
- Most referenced reasons lenders use agency guarantees: (a) Mitigate legal lending limit; (b) Provide credit enhancements (additional comfort); and (c) Higher fee income versus lower interest income

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Guarantee Programs Summary and Comparison

Criteria	Business & Industry Program	Energy Program
Eligible borrower	Non profit entities; for profit business entities located in rural area under 50,000 population.	Agricultural producer or small business located in rural area under 50,000 populations.
Eligible loan purpose	Typical business needs like real estate, equipment, and working capital. Usually take out financing.	Purchase renewable energy system or make energy efficiency improvements.
Eligible project		Post application costs only. Including any grant, agency assistance must be less than 75% of the project. Grant limited to 25% of the project.
Project has technical merit		Always need technical report that is reviewed by National Renewable Energy Lab (NREL)
Adequate Repayment ability	Projections. A feasibility study is required if past performance does not support the projections.	Projections. A feasibility study is required on all renewable energy projects.
Sufficient collateral	Discounted collateral value at least equal to the loan amount.	Discounted collateral value at least equal to the loan amount.
Sufficient equity	Tangible balance sheet at closing <ul style="list-style-type: none"> • New: 20% • Existing: 10% • Energy Projects: 40% 	Equity based on project cost <ul style="list-style-type: none"> • <\$600,000 = 15% • >\$600,000 = 25% Government grant = equity
Maximum Terms	Real estate (30 yrs), M&E (15 yrs) and working capital (7 yrs)	Real estate (30 yrs), M&E (20 yrs) and working capital (7 yrs)
Interest Rate	Fixed or variable negotiated between lender and applicant	Fixed or variable negotiated between lender and applicant
Maximum loan amount	<ul style="list-style-type: none"> • \$25 million; • \$40 million if cooperative organization 	<ul style="list-style-type: none"> • \$25 million
Guarantee percentage	<ul style="list-style-type: none"> • <\$ 5 million = 80% • <\$10 million = 70% • <\$25 million = 60% 	<ul style="list-style-type: none"> • < \$600,000 = 85% • < \$5 million = 80% • < \$10 million = 70% • < \$25 million = 60%
Fees	<ul style="list-style-type: none"> • Guarantee Fee 2% • Annual Servicing Fee 1/4% 	<ul style="list-style-type: none"> • Guarantee Fee 1% • Annual Servicing Fee 1/4%

Guarantee Application Process

- Lender submits preapplication (phone call if lender is familiar with program)
- Agency issues assessment letter (after reviewing proposal with the lender) that encourages or discourages full application
- Joint application conference and site visit scheduled among lender, applicant & Agency
- Lender submits complete application
- Agency approves and issues Conditional Commitment
- Loan Note Guarantee issued after loan closes and all conditions met