

THE OREGON B&I CREDIT MEMO....

News & insights for USDA Business & Industry
Guaranteed lenders – August 2009



Committed to the future
of rural communities.

B&I'S BACK – WITH SOME GOOD NEWS FOR A CHANGE

It's been a tough ten months for Oregon's rural economy and business lenders. B&I program activity has shared in the downturn, awaiting new authorities and developments. But clarity along with opportunity are at last emerging, led by the long-expected announcement of the B&I program's authorities under the American Recovery & Reinvestment Act (ARRA) in late July. With **\$1.7 billion of new guaranteed loan capacity**, the B&I-ARRA program now seeks the partnership of Oregon's business lenders. This newsletter details the B&I-ARRA program along with other welcome developments that promise a revived B&I program to help lenders extend needed business financing to rural Oregon. Rural Development (RD)-Oregon is ready to work with you.

Jeff Deiss

Jeff Deiss, Acting State Director and Business & Cooperative Program Director

GOOD NEWS #1 – B&I STIMULUS LAUNCHED

Like SBA, Rural Development (RD) received additional funding in the Stimulus Bill for its B&I guaranteed loan program. Unlike SBA, however, B&I was not given any new authorities to address the Credit Crunch. Without this, it's taken RD some time to craft an attractive (and hopefully stimulating) Recovery package. And at last, it's here. On July 24th, our B&I-ARRA program authorities were unveiled in the Federal Register.

RD recognized that its standard B&I program simply would not provide sufficient stimulus to spur business lending in the current economy. So an "enhanced B&I program" was designed to offer additional incentives:

1. The B&I **guarantee fee** has been cut in half – from 2% to **1%**.
2. The B&I **annual renewal fee** has been completely **eliminated**.
3. A **90% guarantee** can now be offered **on loans up to \$10 million** *provided* the project meets certain standards – e.g., the business being assisted will provide Quality Jobs and is in a Distressed Area.

The first two features make for a low-cost guaranteed loan program offering real savings for rural businesses. For example, on a \$1 million, 25-year loan, a B&I-ARRA borrower will save \$8,000 initially on the fee and another roughly \$32,000 over the life of the loan. Lower costs are not only more attractive, they are easier to underwrite.

But it is the 90% guarantee that offers Oregon perhaps the greatest benefit in supporting rural business lending. Let's face it – most of Oregon is Distressed and thanks to our higher State Minimum Wage, most businesses here provide Quality Jobs. That means B&I-ARRA deals in Oregon have an excellent chance of getting the 90% guarantee.

For more details about the B&I-ARRA program, take a look at the overview on our web site – <http://www.rurdev.usda.gov/or/bi.htm> – or simply contact us.

The Oregon B&I Credit Memo is the newsletter for USDA Rural Development's Guaranteed B&I Program in Oregon.

For more information, contact us at 503-414-3366 or visit our web site at www.rurdev.usda.gov/or/rbs.htm

USDA is an equal opportunity lender, provider & employer.

GOOD NEWS #2 – PROPOSED B&I RULE CHANGES TO BE WITHDRAWN

Welcome news has been received from RD's National leadership! The controversial plan to re-write all of the B&I program's governing regulations and merge them with RD's other non-business guaranteed loan programs is being abandoned. The proposed rule change had generated much lender comment along with considerable confusion and uncertainty. This executive decision frees us to focus on delivering the B&I program we all know and understand, rather than having to relearn basic principles. Reforms to improve the B&I program are certainly not being abandoned, but going forward this work will be focused on specific changes rather than a blanket revision. (Thanks again to all of the B&I lenders who offered their comments and feedback during this process.)

GOOD NEWS #3 – AN EXTRA STIMULUS: THE B&I DISASTER FUND

Regular B&I funding was supplemented this year with **an extra \$445 million of B&I funds** for counties that suffered Presidentially-Declared Disasters in calendar year 2008. This is more "bad news is good news" for Oregon, since all of the following Oregon counties suffered such a disaster during the December 2008 storms: Clackamas, Clatsop, Columbia, Marion, Multnomah, Hood River, Tillamook, Washington, Yamhill
This constitutes an added reserve of B&I authority, to support rural business lending in these counties.

GOOD NEWS #4 – REGULAR B&I FUNDING: THE MONEY'S STILL THERE

With business lending down everywhere, B&I guaranteed lending activity is also down across most of the nation. In Oregon, we're still under \$20 million in activity compared to the \$61 million we guaranteed last year. As bad as this is, it means there is still ample regular B&I guaranteed funding to help Oregon lenders as lending begins to recover. If your project's needs can't be met with B&I-ARRA or B&I-Disaster programs, the good-old, regular B&I program is ready to help.

GOOD NEWS #5 – B&I ONE-DOC LENDING ON THE RISE IN OREGON

More than ever, rural business lenders are making use of the B&I program designed for smaller loans. Under the One-Doc program, B&I guarantees can be offered on rural business loans of \$600,000 or less. The paperwork is considerably lessened, and the processing times are faster. Let us help with your smaller business loans too.

YOU CAN BE A B&I LENDER – *Who needs B&I expertise? We are your B&I experts!*

A unique strength of the B&I program is its local network of specialists who help you through the B&I process. Our B&I team is available to take your calls and help you work out a viable B&I guaranteed deal. **WE take care of the bureaucratic technicalities, so that YOU can get your business lending done.**

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