

# Business & Industry Guarantee Loan Program

During times of uncertainty, it becomes frequently more difficult to access capital to take advantage of this uncertainty. This is because lenders are interested not only in the source of repayment for loans, but also the variability of that source of income.

In a recent conversation with Andy Goodman, Executive VP of the Association, he mentioned a program that has been available to banks for some time, in fact one that Brenton Bank has used several times. Admittedly, I had not thought of nor used the program for an equipment dealer. And I suspect, few equipment dealers are aware of this program. The program I'm referring to is the USDA Business and Industry Guarantee Loan Program (B&I program). As the name implies, this is a U.S. Government program administered by the USDA. The program is different than and should not be confused with the Small Business Administration or Farm Service Agency programs.

In summary, the B&I program is a program designed to assist a business in a rural community in providing stability, growth, expansion and rural employment. A rural community is defined as one with a population of less than 50,000 people, with priority given to those with populations of less than 25,000 people.

The B&I program provides loan guarantees on loans made by commercial and authorized lenders. Eligible borrowers can be defined as any legal entity, including an individual; there is no size limitation on the business.

Eligible loan purposes can be defined as follows:

- Business and industrial acquisitions, construction, conversion, expansion, repair, modernization or development costs.
- Purchase of equipment, machinery, or supplies.
- Start up costs and permanent working capital.
- Processing and marketing facilities.
- Pollution control & abatement.
- Refinancing for viable projects under certain conditions.

Guaranteed loans are typically limited to \$10.0 million per borrower, but, under certain circumstances, can be as much as \$25.0 million. Guaranteed portions of loans can be described as 80% for \$5.0 million or less, 70% for over \$5.0 million and up to and including \$10.0 million, and 60% for loans exceeding \$10.0 million and up to and including \$25.0 million.

USDA B&I guaranteed term loans can be collateralized by appraised property consisting of machinery & equipment, facilities and real estate and/or a combination of these.

Each situation where such a program might be useful remains unique, but perhaps this overview provides a general description of the program's potential uses. Utilizing this program to assist in taking advantage of opportunities might be worth looking into.