



Business & Industry Guaranteed Loan Program

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Business and Industry Division

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Servicing Branch Chief

Program Purpose

- The purpose of the B&I program is to improve, develop, or finance business, industry, and employment and improve the economic and environmental climate in rural communities
- **Lender Driven Program**

RD Instructions 4279-A, 4279-B, 4287-B



Loan Purposes

- Local foods projects – Can be done in urban areas **
- ESOP**
- Coop Stock Purchase**
- NMTC**

Local Foods Projects

- Projects that process, distribute, aggregate, store, and/or market locally or regionally (less than 400 miles from the origin of the product or within the State)
- Produced agricultural food products to support community development and farm and ranch income
- Any agricultural food product that is raised, produced, and distributed in the locality or region in which the final product is marketed
- Local Food Projects do not need to meet the population limit of 50,000

Employee Stock Ownership Plans (ESOP)

- The B&I Program may now guarantee loans for the conversion of businesses to Employee Stock Ownership Plans (ESOPs) within 5 years from initial date of transfer
- Require 100% of ownership be transferred within 5 year period
- If an ESOP is organized, the owner may not retain ownership in the business 5 years from the date of the initial transfer of stock

Cooperative Stock Purchases

- Cooperative stock purchases by individual farmers/ranchers for farm/ranch cooperatives (Prior to August 2, 2016)
- Maximum stock purchase loan is \$600,000
- Maximum term is 7 years
- Loan funds must stay within the coop and cannot be reinvested into another entity

Cooperative Conversion/ESOP Restrictions

- Maximum loan amount is \$600,0000
- Maximum term is 7 years
- A valid lien on the preferred stock, an assignment of patronage refund, and the ability to transfer the stock to another party or otherwise liquidate the collateral must be obtained
- Lender must make a complete credit analysis of each stock purchase loan and a complete credit analysis of the cooperative or ESOP before making its first stock purchase loan

Cooperative Equity Security

- Cooperative equity securities such as preferred stock issued by a cooperative organization or fund that invests primarily in cooperative
- Principal amount of loan cannot exceed \$10 million
- Maximum term of loan is the lesser of 7 years or no longer than the specified holding period for redemption as stated by the stock offering
- Shares purchased with the loan funds cannot be converted to common or voting stock

Cooperative Conversion

- The B&I Program may now guarantee loans for conversion of businesses to worker cooperatives
- The selling owner may become members with special control rights *during* the transfer but must relinquish this role *after* the transfer is completed.

NMTC BASICS

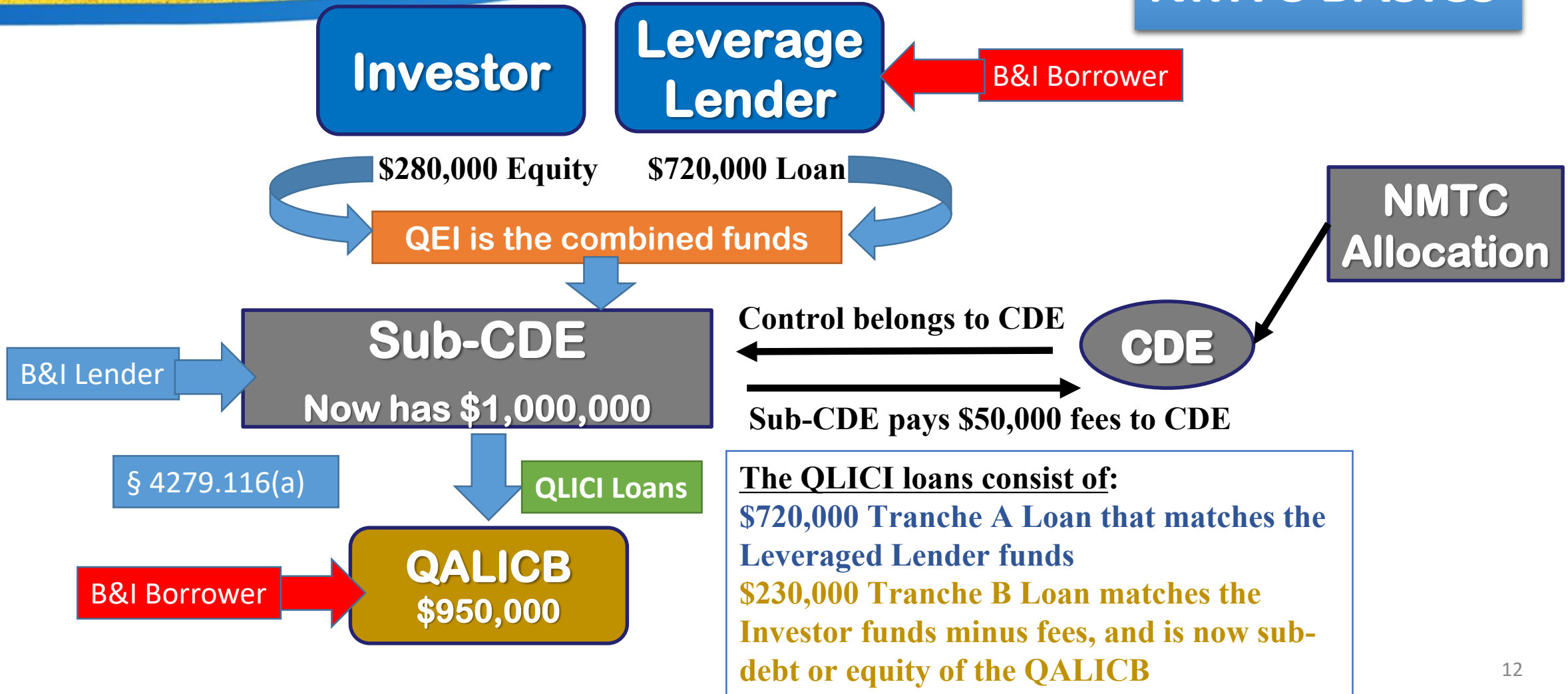
- The New Markets Tax Credit program is authorized by the Community Renewal Relief Act of 2000
- Is administered by the U.S. Department of Treasury
- Its purpose is to encourage investors to make investments in low-income and distressed communities
- The New Markets Tax Credit Program provides investors with a tax credit for investing in distressed low-income communities
- NMTC Program has established funding through FY19



NMTC BASICS

- We can also make a B&I loan to an Investor Fund Entity when the loan funds flow to the QALICB through a direct tracing method
- On June 12, 2017, the Agency published a technical correction to allow B&I to guarantee the leveraged loan into the Investor Fund Entity
- Collateral for a B&I loan to an Investor Fund Entity is all assets of that entity, including cash and its ownership interest in the sub-CDE

NMTC BASICS



The QLICI loans consist of:
\$720,000 Tranche A Loan that matches the **Leveraged Lender funds**
\$230,000 Tranche B Loan matches the **Investor funds minus fees**, and is now **sub-debt or equity of the QALICB**



Recent Program Activity

- Fiscal year 2016
 - Number of Loans: 379
 - Total Allocation: \$1.7 billion
 - Amount Obligated: \$1.3 billion
 - Average Loan Size: \$3.4 million
 - Lenders Participating in the B&I Program: 187
 - Businesses Assisted: 457
 - Jobs Created or Saved: 13,620

Recent Program Activity

- Fiscal Year 2017
 - Number of Loans: 407
 - Total Allocation: \$1.5 billion
 - Amount Obligated: \$1.4 billion
 - Average Loan Size: \$3.5 million
 - Lenders Participating
in the B&I Program: 198
 - Businesses Assisted: 485
 - Jobs Created or Saved: 14,952

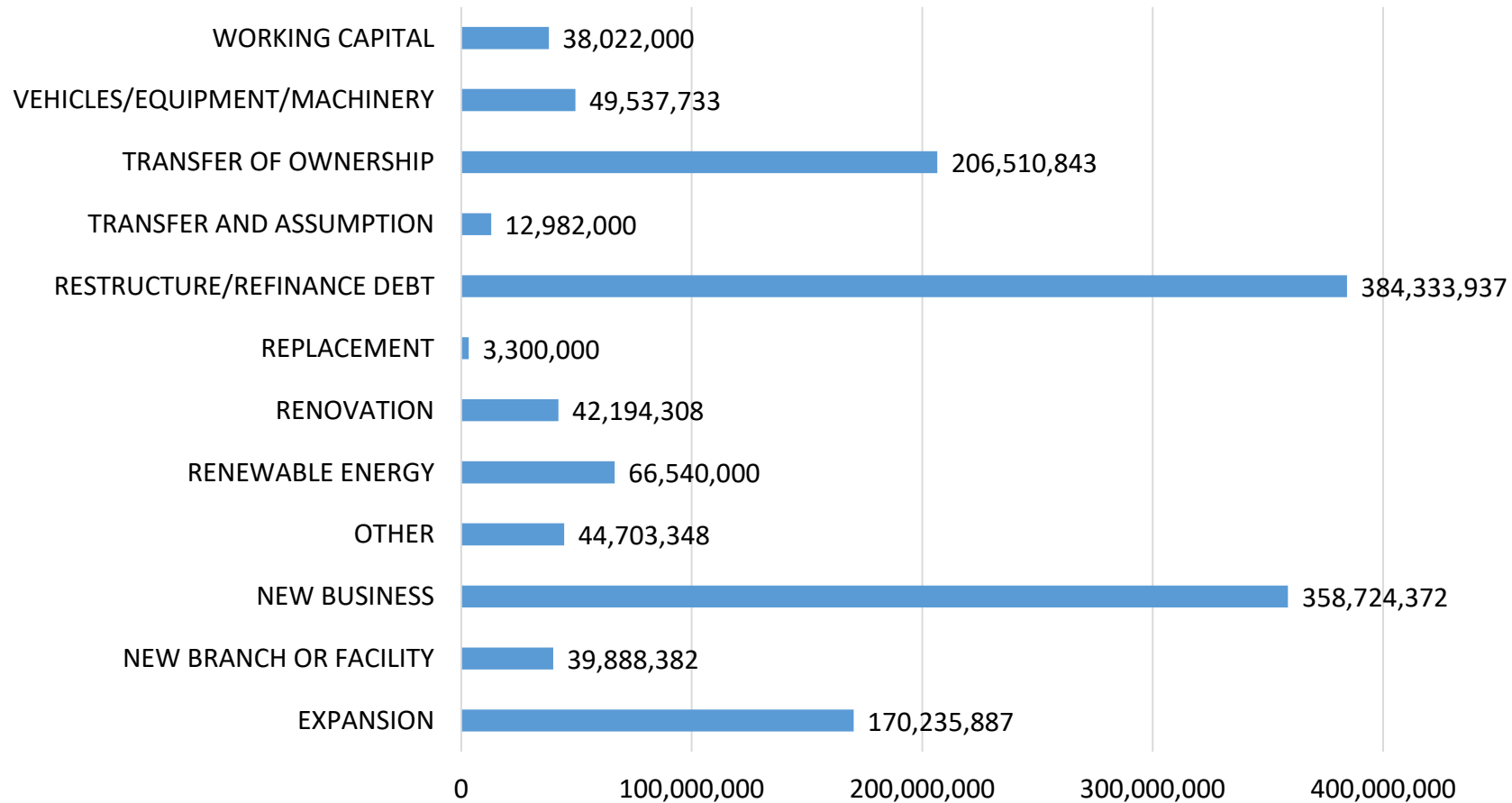
2017 TOP 10 B&I GUARANTEED LOAN PROGRAM LENDERS

<u>Lender State</u>	<u>Lender Name</u>	<u>Amount of Assistance</u>
NV	GREATER NEVADA CREDIT UNION	\$147,271,500
NC	LIVE OAK BANKING COMPANY	\$116,576,136
NC	WEST TOWN BANK AND TRUST	\$ 67,060,000
GA	FARMERS & MERC BANK	\$ 46,060,000
LA	BANK OF MONTGOMERY	\$ 42,850,000
UT	TOWN & COUNTRY BANK	\$ 40,578,826
CA	FIRST COMMUNITY BANK	\$ 39,202,700
LA	FIRST BANK AND TRUST	\$ 27,401,700
FL	ATLANTIC COAST BANK	\$ 27,139,000
NH	SERVICE CREDIT UNION	\$ 25,000,000

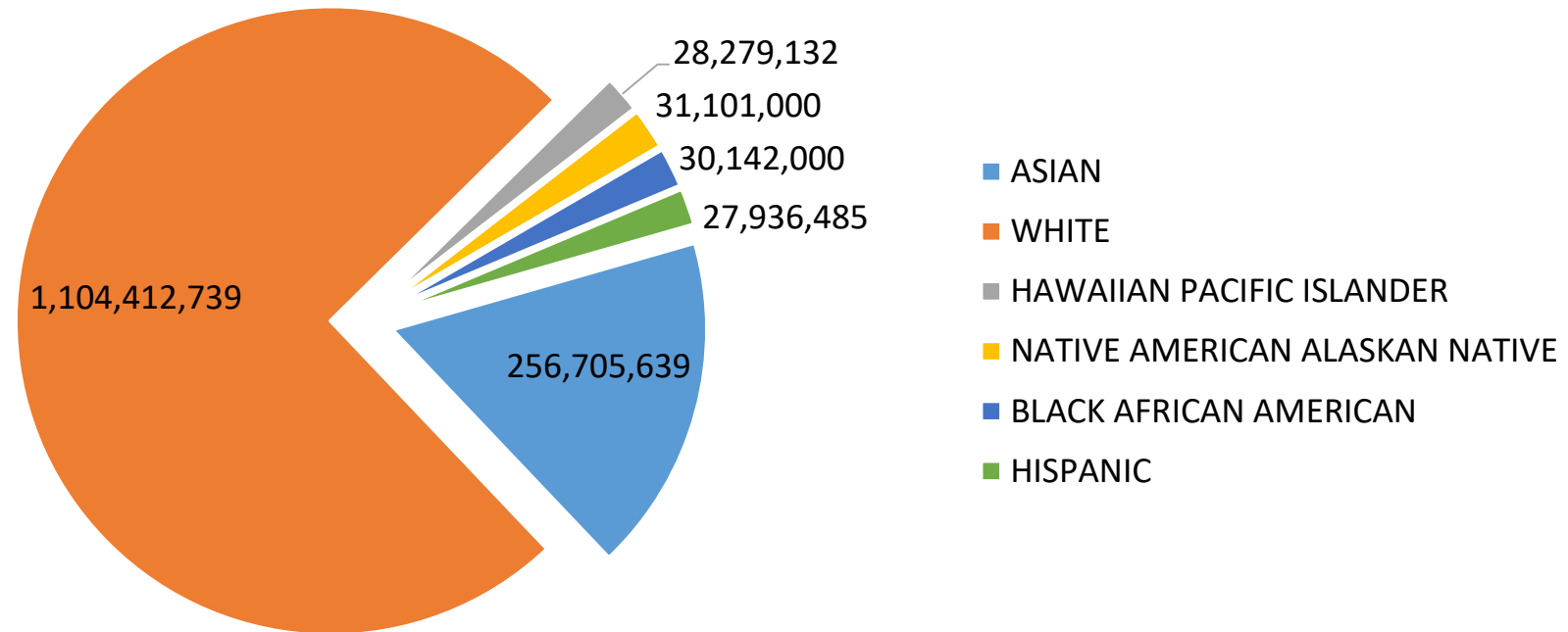
2017 TOP 10 B&I State Offices

<u>State</u>	<u>Obligated</u>	<u># of Loans</u>
FLORIDA	179,364,234	37
LOUISIANA	111,794,700	19
OREGON	99,420,450	26
NORTH CAROLINA	87,644,195	16
CALIFORNIA	66,875,292	23
MISSOURI	59,369,600	41
SOUTH CAROLINA	58,283,736	13
ARIZONA	56,223,400	11
TENNESSEE	52,937,000	9
KENTUCKY	48,131,780	6

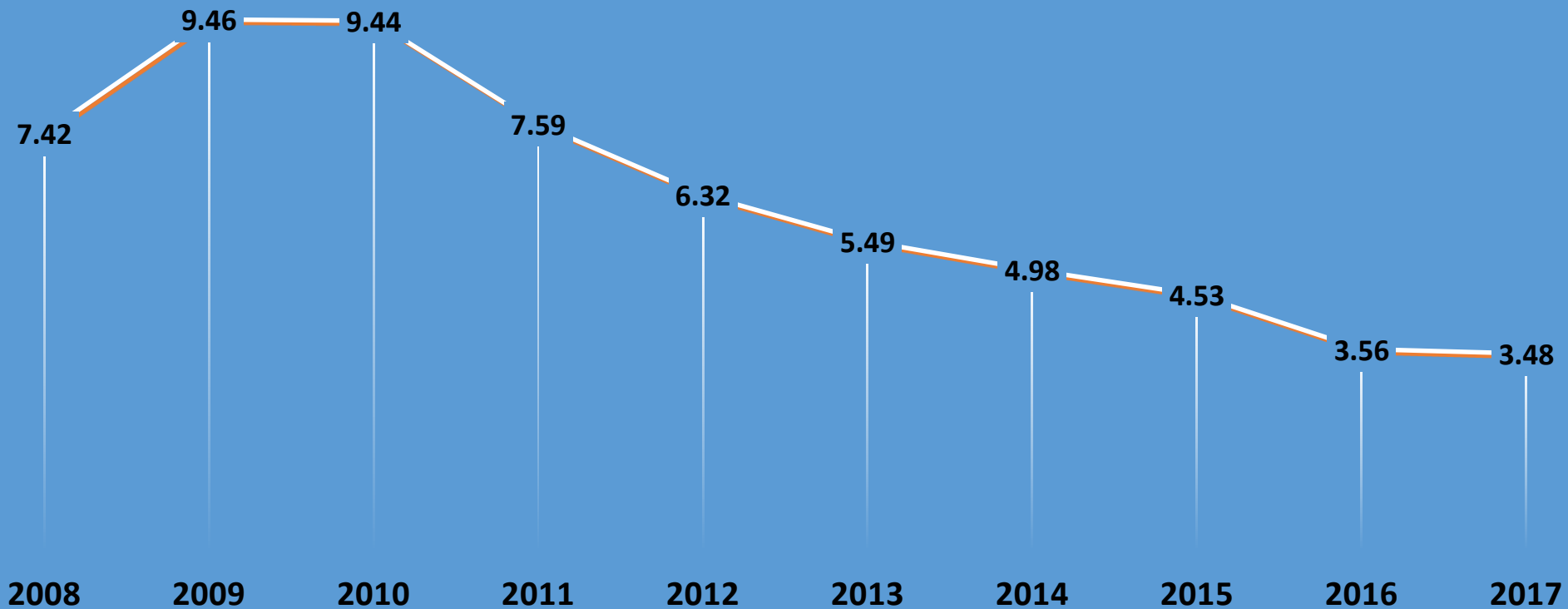
2017 B&I GUARANTEED LOANS OBLIGATED BY PROJECT TYPE



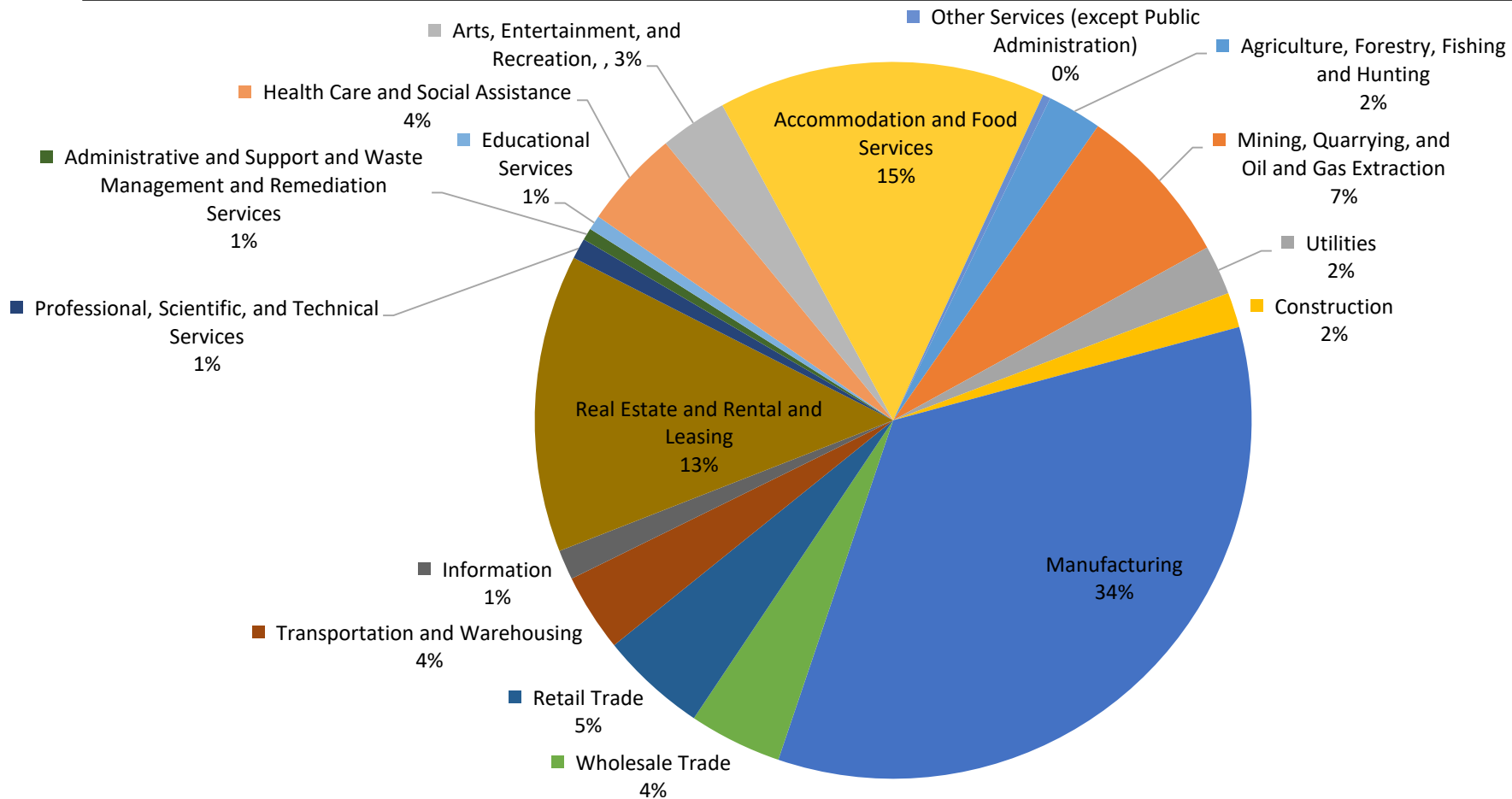
2017 B&I GUARANTEED LOANS DEMOGRAPHIC BREAKDOWN



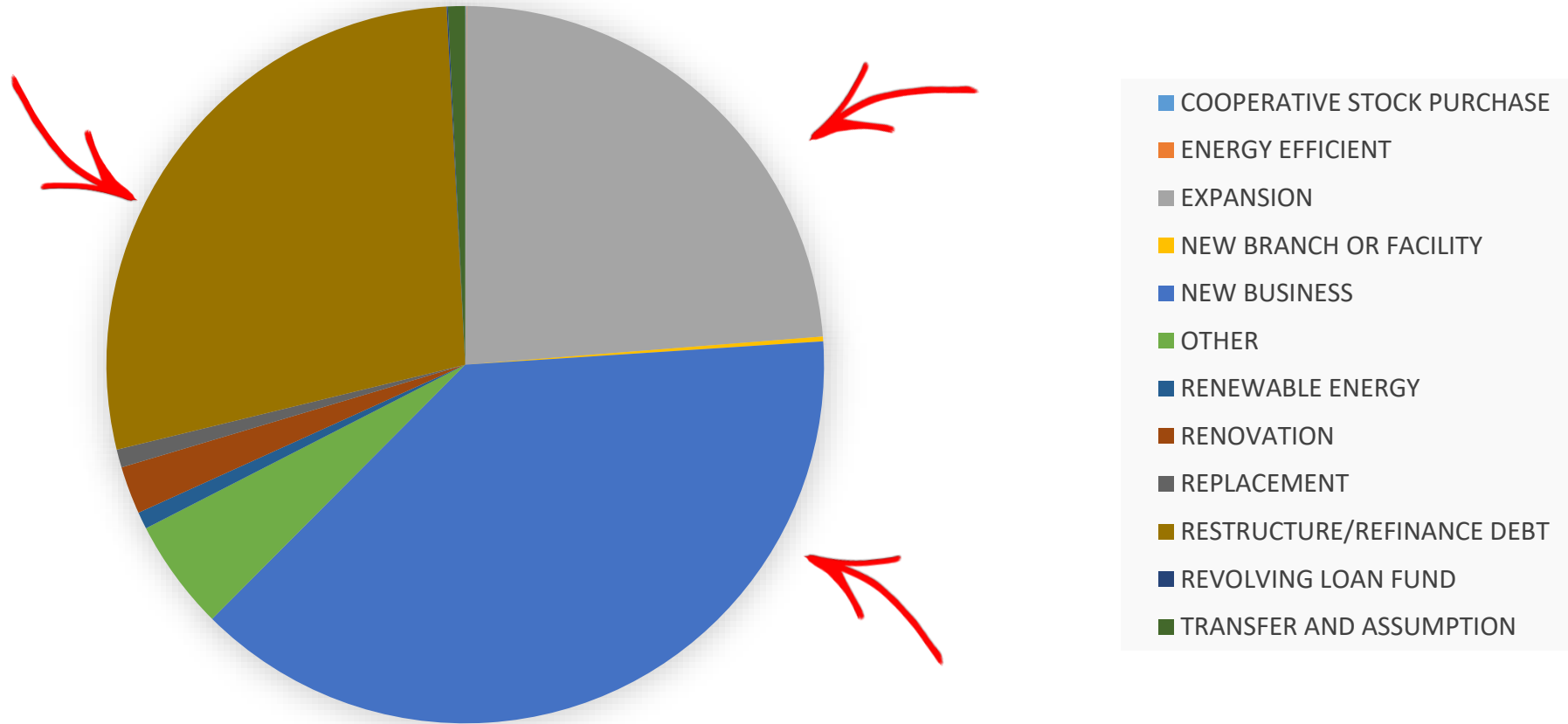
B&I FISCAL YEAREND DELINQUENCY RATES



B&I GUARANTEED LOAN PROGRAM PROBLEM/DELINQUENT LOAN BREAKDOWN BY BUSINESS SECTOR



B&I GUARANTEED LOAN PROGRAM LOSSES PAID BY PROJECT TYPE





Business and Industry Director

KELLEY OEHLER
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Washington, DC 20250
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Business and Industry Division – Loan Processing Branch

BRENDA GRIFFIN, BRANCH CHIEF

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DAVID CHESTNUT, LOAN SPECIALIST

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TANNER HINKEL, PATHWAY INTERN

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Water and Environmental Guarantee Loan Program

Susan Woolard

Water and Environmental Programs



Eligibility is limited to:

- Public Bodies;
- Non-profits; and,
- Tribes

That are located in a city or town with 10,000 inhabitants or less based on the most recent decennial census



Eligible Loan Purposes

- Construct, enlarge, extend or otherwise improve rural drinking water, sanitary sewage, solid waste disposal, and storm wastewater disposal facilities.
- Refinancing existing Agency debts

Ineligible Loan Purposes

- Facilities not modest in size, design and cost
- Any portion of the cost that doesn't serve a rural area
- New combined storm and sanitary sewer facilities
- The portion of project costs normally provided by a business or industrial user (wastewater pretreatment)
- Rental for the use of applicant owned machinery or equipment
- Refinancing of non-Agency debt, unless it is a minor portion of a larger project

Eligible Lenders

- Federal or State Chartered Banks or Savings and Loan
- Mortgage Companies
- Co-Bank, National Rural Utilities Cooperative Finance Corporation, Farm Credit Bank of the Federal Land Bank or other Farm Credit System institutions.
- Regulated Insurance Company
- State Bond Banks or State Bond Pools
- Other lenders. *Must be approved by the National Office*



Lender's Fees

- Routine charges
- Late payment
- Guarantee Fee
 - 1% guarantee fee due at time of issuance of Loan Note Guarantee
 - No annual servicing or renewal fees

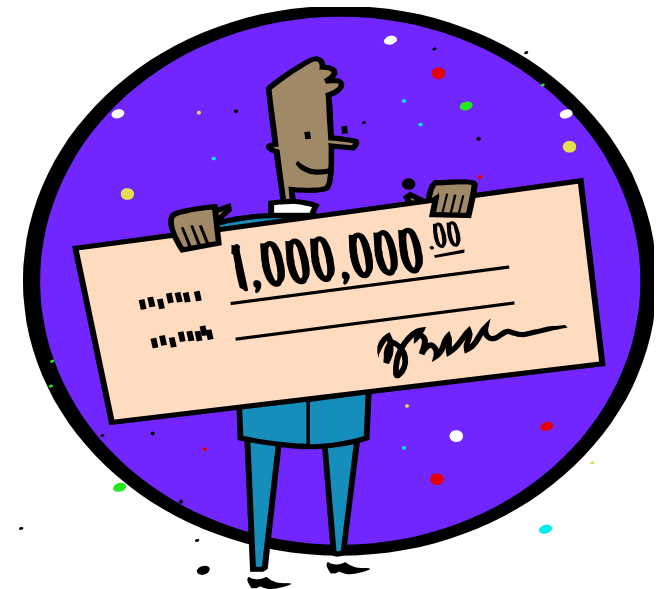
Loan Guarantee Limits and Rates

- 90% guarantee
- Lender must hold 5% of the unguaranteed portion of the loan
- Interest rates are negotiated between the lender and applicant.
 - Can be fixed or variable
 - If variable, must be tied to a published base rate
 - Cannot adjust more often than quarterly
 - Subject to Agency review and approval



Loan Repayment Terms

- Up to a 3 year deferral
- Monthly Payments
- Maximum term – lesser of useful life of facility or 40 years
- Balloon payments are prohibited





For additional information, contact the State Office in the state where the project is located.

A list of state offices is available at:

<http://www.rd.usda.gov/contact-us/state-offices>



www.rd.usda.gov

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