

Rural Development Business & Industry Loan

To increase economic activity and job creation, we participate in the USDA Business and Industry Guaranteed Loan Program, which provides guarantees on loans to rural businesses, non-profit organizations, cooperatives, public agencies and individuals for construction and permanent financing; business acquisition or expansion; working capital; and equipment. Loan guarantees are available to entities located in rural areas outside of cities of more than 50,000 people and their immediately adjacent or urbanizing areas.

Requirement for Community Needs Tracking

- Demonstrated need for job creation and substantial state or local government support is required.
- Periodic reporting is required.

Project/Borrower Characteristics

- Borrower must be financially stable, capable of financially supporting expanded operations and be experienced in, or have support for workforce development

Other Conditions

- Borrower must be a legally organized entity.
- Borrower should demonstrate the financial resources and capacity to carry any projected short-term operating deficit. Borrower must be able to demonstrate and/or provide a minimum of two months debt service reserve.
- Projects in communities with substantial unemployment are highly desired.
- Business plan must demonstrate current or elevated market demand supporting expansion need, from existing market data or current market study. Projections must demonstrate significant living wage job creation and demonstrate very near-term positive cash flow.
- Debt coverage ratio must be adequate to service the debt being extended and any other existing and potential sources of financing.
- Underwriting based on borrower's historical and projected financial condition and operations; alternate cash flow sources; potential for equity appreciation; industry experience; and the potential for equity contributions from state or local grant sources. General community support, impact and the economic contribution of the project to the community will be considered in underwriting. Call for eligibility details.



Loan Guarantee Limits

- 80% for loans up to \$5 million
- 70% for loans \$5-10 million
- 60% for loans \$10-25 million

Loan Amounts

- Minimum: \$50,000
- Maximum: Generally \$10 million, exceptions up to \$25 million

Rate Structure

- Based on current market conditions and risk analysis

Maturity Terms

- Working capital loans up to 7 years; machinery & equipment up to 15 years (or useful life) and real estate loans up to 30 years; VCC requires loans to be repriced every 5 years

Collateral

- 1st lien deed of trust or assets financed

Origination Fees

- RD fee 2% of guaranteed loan amount; annual service fee of .25% of outstanding principal plus typical lender costs; VCC origination fee based on transaction size and complexity

Late Payment Fees

- 5% to a maximum of \$250 after the 10th day

Prepayment Penalty

- Depends on transaction size, funding source

Loan-to-Value Guidelines

- Based on the assets financed; up to 90% loan-to-value based on risk analysis, guarantor strength, overall collateral availability, type of project

Guarantees

- Property owners, principals, partners or majority stockholders generally; corporate or parent organization, if applicable

Environmental Assessments

- Phase 1 study required for real estate secured transactions, Phase 2 study may be required based on Phase 1 findings; remediation required

Acceptable Equity

- Tangible balance sheet equity as determined by GAAP at least 10% for existing businesses and 20% for new businesses