

OneRD Guarantee Loan Initiative: Business & Industry Loan Guarantees

What does this program do?

This program offers loan guarantees to lenders for their loans to rural businesses.

What lenders may apply for this program?

Lenders need the legal authority, financial strength and sufficient experience to operate a successful lending program. This includes lenders that are subject to supervision and credit examination by the applicable agency of the United States or a State including:

- **Federal and State-chartered banks.**
- **Savings and loans.**
- **Farm Credit Banks with direct lending authority.**
- **Credit unions.**

Other non-regulated lending institutions may also be approved by the Agency under the criteria of the OneRD regulation.

Who may qualify for these guaranteed loans?

- For-profit or non-profit businesses.
- Cooperatives.
- Federally-recognized Tribes.
- Public bodies.
- Individuals engaged or proposing to engage in a business.

What are the borrowing restrictions?

- Individual borrowers must be citizens of the United States or reside in the U.S. after being legally admitted for permanent residence.
- Private-entity borrowers must demonstrate that loan funds will remain in the U.S. and the facility being financed will primarily create new or save existing jobs for rural U.S. residents.

What is considered an eligible area?

- Rural areas not in a city or town with a population of more than 50,000 inhabitants.
- The borrower's headquarters may be based within a larger city as long as the project is located in an eligible rural area.
- The lender may be located anywhere in the United States.
- Projects may be funded in either rural or urban areas under the Local and Regional Food System Initiative.
- Check eligible addresses for Business Programs.

How may guaranteed loan funds be used?

Eligible uses include (but are not limited to):

- Business conversion, enlargement, repair, modernization or development.
- The purchase and development of land, buildings and associated infrastructure for commercial or industrial properties.
- The purchase and installation of machinery and equipment, supplies or inventory.
- Debt refinancing when such refinancing improves cash flow and creates jobs.
- Business and industrial acquisitions when the loan will maintain business operations and create or save jobs.

What guaranteed loan funds may NOT be used for?

- Lines of credit.
- Owner-occupied and rental housing.
- Golf courses or golf course infrastructure.
- Racetracks or gambling facilities.
- Churches or church-controlled organizations.
- Fraternal organizations.
- Lending, investment and insurance companies.
- Agricultural production, with certain exceptions.
- Distribution or payment to a beneficiary of the borrower or an individual or entity that will retain an ownership interest in the borrower.

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What Collateral Is Required?

Collateral must have documented value sufficient to protect the interest of the lender and the Agency. Lenders will discount collateral consistent with sound loan-to-value policy with the discounted collateral value at least equal to the loan amount. The lender must provide satisfactory justification of the discounts being used. Hazard insurance is required on collateral (equal to the loan amount or depreciated replacement value, whichever is less).

What is the maximum amount of a loan guarantee?

The loan guarantee percentage is published annually in a Federal Register notice. B&I loans approved in Fiscal Year 2021 will receive an 80 percent guarantee.

What are the loan terms?

The lender, with Agency concurrence, will establish and justify the guaranteed loan term based on the use of guaranteed loan funds, the useful economic life of the assets being financed and those used as collateral, and the borrower's repayment ability. The loan term will not exceed 40 years.

What are the interest rates?

- Interest rates are negotiated between the lender and borrower.
- Rates may be fixed or variable.
- Variable interest rates may not be adjusted more often than quarterly.

What are the applicable fees?

- There is an initial guarantee fee, currently 3 percent of the guaranteed amount.
- There is a guarantee retention fee, currently 0.5 percent of the outstanding principal balance, paid annually (2).
- Reasonable and customary fees for loan origination are negotiated between the borrower and lender.

What are the underwriting requirements?

- The lender will conduct a credit evaluation using credit documentation procedures and underwriting processes that are consistent with generally accepted prudent lending practices and also consistent with the lender's own policies, procedures and lending practices.
- The lender's evaluation must address any financial or other credit weaknesses of the borrower and project and discuss risk mitigation requirements.
- The lender must analyze all credit factors to determine that the credit factors and guaranteed loan terms and conditions ensure guaranteed loan repayment.
- Credit factors to be analyzed include but are not limited to character, capacity, capital, collateral, and conditions.

How do we get started?

- Applications are accepted from lenders through [USDA local offices](#) year-round.
- Interested borrowers should inquire about the program with their lender.
- Lenders interested in participating in this program should contact the [USDA Rural Development Business Programs Director in the state](#) where the project is located.

Who can answer questions?

Contact the [local Rural Development office](#) that serves your area.

What law governs this program?

- Code of Federal Regulations, [7 CFR 5001](#).
- This program is authorized by the Consolidated Farm and Rural Development Act.

Why does USDA Rural Development do this?

This program improves the economic health of rural communities by increasing access to business capital through loan guarantees. This enables commercial lenders to provide affordable financing for rural businesses.

NOTE: Because information on this page may change, please always consult the program instructions listed in the section above titled "What law governs this program?" You may also contact your [local office](#) for assistance. *USDA is an equal opportunity provider, employer, and lender.*