

COVID-19

Business & Industry CARES Act Program Funding

The USDA has nearly \$1 billion in loan guarantee authority that must be used as working capital to prevent, prepare for, or respond to the effects of the coronavirus pandemic. For the first time, **agricultural producers may access this program** if they are ineligible for financing from USDA's Farm Service Agency. **Non-agricultural rural businesses** are also eligible. The program is eligible to rural businesses and agricultural producers who were in operation on or before February 15, 2020.

Here are some key facts about the program:

- Provides loans to supplement rural small business working capital to prevent, prepare for and respond to the economic impacts of coronavirus.
- Must apply through a USDA-approved lender:
 - Federal or state-chartered bank
 - Savings and loan
 - Farm credit bank
 - Credit union
- Eligible businesses
 - For-profit and non-profit businesses
 - Cooperatives
 - Federally recognized Tribes
 - Public bodies
- Eligible areas
 - Rural areas outside a city or town with a population of fewer than 50,000 people.
 - Project must be based in a rural area if the business is located in a larger city
- Borrower restrictions
 - Loans may only be used to support rural businesses that were in operation on or before Feb. 15, 2020
 - Must be U.S. citizen or have permanent legal resident status to reside in the United States
 - Loan funds must remain in the U.S.
- Funds may NOT be used for the following:
 - Purchase and develop land, buildings, and associated infrastructure for commercial or industrial properties, including expansion or modernization
 - Business acquisitions
 - Leasehold improvements
 - Constructing or equipping facilities
 - Machinery and equipment purchase
 - Debt refinancing unless debt was incurred after Feb. 15, 2020 and used for eligible working capital purposes pursuant to the B&I CARES Act Program
 - Lines of credit
 - Owner-occupied and rental housing
 - Golf course, racetrack, gambling facilities
 - Lending, investment, insurance companies
 - Projects involving >\$1million and relocating 50+ jobs
 - Agriculture product, except if not eligible for financing through Farm Service Agency
 - Distribution or payment, including loan payments to an owner or beneficiary

Loan Details and Terms

- Collateral must be valued at least equal to the loan amount. Hazard insurance is required on collateral.
- Loan guarantee is 90% for all loans
- Maximum term is 10 years
- Loan must be repaid in full and amortized by the maturity date with no balloon payments
- Interest only payments may be deferred in the first year
- Principal payments may be deferred up to three (3) years
- Interest rates are negotiated between the borrower and the lender, subject to USDA review, and may be fixed or variable
- Variable interest rates may not be adjusted more often than quarterly
- Fees include:
 - Initial guarantee fee equal to 2% of the guaranteed amount
 - Annual renewal fee of 0.5% of the outstanding principal balance calculated at December 31 of each year
 - Other fees negotiated between the borrower and the lender

Other Borrower Requirements

- Borrower must demonstrate ability to repay the loan
- The business and its owners must have a good credit history
- Key person life insurance may be required.
- Personal and corporate guarantees are normally required from all owners/partners, (except limited partners) and major shareholders with 20% or greater interest.

Check with your lender first to see if they handle USDA loans. All Federally or State regulated lenders are eligible lenders. These include commercial banks, credit unions, Farm Credit System Institutions, and savings and loans.



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