



United States Department of Agriculture

Business & Industry Guaranteed Loan Program

B&I Application Submission and Loan Closing

RD Instructions
4279-A (General)
4279-B (Processing)

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4279.161

Filing Preapplications and Applications

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Filing Preapps and Apps – 4279.161

- Borrowers and lenders are encouraged to file preapplications and obtain Agency comments before completing an application
 - However, if they prefer, borrowers and lenders may file a complete application without filing a preapplication
- The Agency will neither accept nor process preapplications and applications unless a lender has agreed to finance the proposal
- For borrowers other than individuals, a DUNS number is required

Preapplications – 4279.161(a)

- Lenders may file preapplications by submitting:
 - A letter or preliminary lender credit analysis
 - The borrower's current (not more than 90 days old) balance sheet and year-to-date income statement
 - For existing businesses, balance sheets and income statements for the last 3 years
 - A completed Form RD 4279-2, "Certification of Non-Relocation and Market Capacity Information Report," if the proposed loan is in excess of \$1 million and will increase direct employment by more than 50 employees

Preapplications – 4279.161(a) continued

- The preapp letter or preliminary credit analysis must contain:
 - Name of the proposed borrower and lender
 - organization type, addresses, contact persons, Federal tax ID numbers, e-mail addresses, and phone numbers
 - Amount of the loan request, percentage of guarantee requested, and the proposed rates and terms
 - Description of collateral with estimated value(s)
 - Amount and source of equity to be contributed to the project
 - A brief description of the project, products or services provided, and availability of raw materials and supplies
 - The number of jobs created and/or retained and average wage rate

Applications – 4279.161(b)(1)–(3)

- Lenders must submit a complete application:
 - 1) A completed Form RD 4279-1, “Application for Loan Guarantee”
 - 2) A completed Form RD 4279-2, “Certification of Non-Relocation and Market Capacity Information Report,” if the loan is in excess of \$1 million and will increase direct employment by more than 50 employees, unless already submitted with preapp
 - 3) Environmental review documentation required by 7 CFR part 1970

Applications – 4279.161(b)(4)–(7)

- 4) A personal or commercial credit report for each individual or entity owning 20% or more of the borrower
- 5) Commercial credit reports for the borrower(s) and any parent, affiliate, and subsidiary companies
- 6) Current (not more than 90 days old) financial statements for any parent, affiliate, and subsidiary companies
- 7) Current (not more than 90 days old) personal and corporate financial statements of any guarantors

Applications – 4279.161(b)

8) For all borrowers:

- a current (not more than 90 days old) balance sheet and year-to-date income statement
 - If loan processing is not complete within 90 days, a current set of financial statements will be required every 90 days
- a pro forma balance sheet projected for loan closing
- projected balance sheets, income statements, and cash flow statements for the next 2 years

Financial statements must be prepared both individually and on a consolidated basis for all borrowing entities

Applications – 4279.161(b)

- 9) For borrowers that are existing businesses, balance sheets and income statements for the last 3 years
- If the business has been in operation for less than 3 years, balance sheets and income statements for all years for which financial information is available



Applications – 4279.161(b)

10) The lender's comprehensive, written credit analysis of the proposal, including a discussion of:

- Repayment ability with a cash-flow analysis
- History of debt repayment
- Borrower's management
- Necessity of any debt refinancing
- Credit reports of the borrower, principals, and any parent, affiliate, or subsidiary

Applications – 4279.161(b)(10) continued

- Lender's analysis must also include:
 - Spreads of the financial statements and discussion of the 3 years of historical balance sheets and income statements (for existing businesses) and 2 years of projected balance sheets, income statements, and cash flow statements
 - With appropriate ratios
 - Comparisons with industrial standards
 - Common-sized

Applications – 4279.161(b)

- (11) A draft loan agreement that contains:
- (i) Type/frequency of borrower/guarantor financial statements
 - (ii) Prohibition against assuming liabilities/obligations of others
 - (iii) Limitations on dividend payments and compensation of officers and owners
 - (iv) Limitation on purchase/sale of equipment/fixed assets
 - (v) Restrictions concerning consolidations, mergers, or other circumstances and a limitation on selling the business without the concurrence of the lender
 - (vi) Maximum debt-to-net worth ratio
 - (vii) Minimum debt service coverage ratio

Requirements must be in the loan agreement even if contained in the Promissory Note



Applications – 4279.161(b)(11) continued

- Loan agreement must contain:
 - No default or penalty interest requirements
 - No preapprovals of future servicing actions or debt
- Loan agreement must identify what the requirements are; not just cite requirements of section 4279.161(b)(11)

Applications – 4279.161(b)(12)–(15)

- 12) Intergovernmental consultation comments, unless exemptions have been granted by the State single point of contact
- 13) **Appraisals**, accompanied by a copy of the environmental site assessment, **if available, and the technical review of the appraisals**
- 14) A business plan
- 15) Independent feasibility study, if required

Applications – 4279.161(b)(16)–(19)

- 16) For companies listed on a major stock exchange or subject to Securities and Exchange Commission regulations, a copy of SEC Form 10-K
- 17) For health care facilities, a certificate of need, if required by statute or State law
- 18) For five or more residential units, including nursing homes and assisted-living facilities, an Affirmative Fair Housing Marketing Plan
- 19) Any additional information required by the Agency to make a decision

Applications of \$600,000 and Less – 4279.161(c)

- Applications of \$600,000 and less may be processed using the short application form/process
 - Agency must determine that there is not a significant increased risk of a default on the loan
- Applications must include:
 - A completed Form RD 4279-1 (with the short application box marked at the top)
 - Environmental review documentation
 - Financial info required by 4279.161(b)(8) and (b)(9)
 - The lender's comprehensive, written credit analysis
 - Intergovernmental consultation comments
 - Appraisal(s)/Environmental Site Assessment/Technical Review

4279.166

Priority Scoring



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Loan Priority Scoring – 4279.166

- Applications and preapplications are considered in the order they are received
 - An application is compared to other pending applications that are competing for funding
 - When applications on hand otherwise have equal priority, preference will be given to applications for loans from qualified veterans

Loan Priority Scoring – 4279.166(b)(1)

- The Agency assigns priority points on the basis of the point system using Appendix C
 - Population priority:
 - Projects located **in an unincorporated area or in a city with a population under 25,000** (10 points)



Loan Priority Scoring – 4279.166(b)(2)

–Demographics priority:

- Located in an area of long-term population decline according to the last three decennial censuses (5 points)
- Located in a rural county that has had 20% or more of its population living in poverty based on the last three decennial censuses (10 points)
- Located in a rural community that is experiencing trauma as a result of natural disaster (5 points)
- Located in a city or county with an unemployment rate 125 percent of the Statewide rate or greater (5 points)
- Located within the boundaries of a Federally recognized Indian tribe's reservation/tribal trust lands/land owned by an Alaska Native Regional or Village Corporation (5 points)
- Business is owned by a qualified veteran (5 points)

Loan Priority Scoring – 4279.166(b)(3)

–Loan features:

- Interest rate equal to or less than the equivalent of WSJ Prime Rate plus 1.5 percent (5 points)
- Interest rate equal to or less than the equivalent of WSJ Prime Rate plus 1 percent (5 points)
- Loan is less than 60 percent of project cost (5 points)
- Loan is less than 50 percent of project cost (5 points)
- Loan is less than 40 percent of project cost (5 points)
- For loans not requesting an exception under § 4279.119(b), the percentage of guarantee is 10 or more percentage points less than the maximum allowable for a loan of its size (5 points)

Loan Priority Scoring – 4279.166(b)(4)

–High impact business investment priorities:

- Industry that is not already present in the community (5 points)
- Business that has 20% or more of its sales in international markets (5 points)
- Business that offers high value, specialized products and/or services that command high prices (5 points)
- Business that provides an additional market for existing local businesses (5 points)
- Business that is locally owned and managed (5 points)
- Business that will produce a natural resource value-added product (5 points)

Loan Priority Scoring – 4279.166(b)(4) continued

–High impact business investment priorities:

- Business that processes, distributes, aggregates, stores, and/or markets locally or regionally produced agricultural food products to underserved communities (10 points)
- Business that creates or saves jobs (more than one) with an average wage exceeding 125 percent of the Federal minimum wage (5 points)
- Business that creates or saves jobs (more than one) with an average wage exceeding 150 percent of the Federal minimum wage (5 points)
- Business that offers a healthcare benefits package to all employees, with at least 50 percent of the premium paid by the employer (5 points)

Loan Priority Scoring – 4279.166(b)(5)

–Administrative points:

- The State Director may assign up to 10 additional points to an application to account for:
 - Statewide distribution of funds
 - Natural disasters or economic emergency conditions
 - Community economic development strategies
 - State strategic plans
 - Fundamental structural changes in a community's economic base
 - Projects that will fulfill an Agency initiative

Loan Priority Scoring – 4279.166(b)(5) continued

–Administrative points:

- If an application is considered in the National Office, the Administrator may assign up to an additional 10 points to account for:
 - geographic distribution of funds
 - emergency conditions caused by economic problems or natural disasters
 - projects that will fulfill an Agency initiative

4279.181



Loan Closing and Issuance of the Loan Note Guarantee

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Loan Closing – 4279.181(a)

- The lender must not close the loan until all conditions of the Conditional Commitment are met
- It is suggested that lenders use the attachment to the Conditional Commitment as a checklist to ensure that all conditions are met prior to closing the loan
- Lenders can use their closing documents but there are USDA RD forms that must be included

Loan Closing – 4279.181(a)(1)–(4)

When loan closing plans are established, the lender must notify the Agency and provide the Agency with:

- Form RD 4279-4, “Lender’s Agreement,” unless a valid Lender’s Agreement issued after August 2, 2016, already exists
- Form RD 1980-19, “Guaranteed Loan Closing Report,” with the guarantee fee
- Copies of the executed note(s) and loan agreement

Loan Closing – 4279.181(a)(5)–(9)

The lender must also provide:

- A copy of the signed settlement statement
- Form RD 4279-14, “Unconditional Guarantee,” executed for each guarantor
- Any other documents required to comply with applicable law or required by the Conditional Commitment
- Borrower(s) balance sheet as of loan closing demonstrating required tangible balance sheet equity
- Lender certification as set forth in RD Instruction 4279-B, section 4279.181(a)(9)

Loan Note Guarantee – 4279.181(c)

Loan Note Guarantee is issued coincident with, or immediately after, loan closing once all loan conditions are met and the Agency fee and closing documents are provided.

- After all closing documents are received, the Loan Note Guarantee (Form RD 4279-5) can be issued
- If selling the note under the single note option, complete Assignment Guarantee Agreement (Form RD 4279-6)

4279.75



Sale or Assignment of the Guaranteed Loan

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Sale or Assignment of Guaranteed Loan – 4279.75

- Lender may sell all or part of guaranteed portion
- The lender earns a premium for selling the loan and retains a servicing fee
- Lender must fully disburse and properly close loan prior to sale
- Loan must not be in default
- Lender must retain at least 5% of the total loan amount which must be of the non-guaranteed portion of the loan
- There are single note or multi-note options



Thank you!

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