

Business & Industry CARES Act Program

What does this program do?

This program provides guarantees on working capital loans for rural businesses that have been impacted by the COVID-19 pandemic. Up to \$1 billion has been allocated to the program.

Who may apply for this program?

Lenders with the legal authority, sufficient experience and financial strength to operate a successful lending program.

This includes:

- **Federal or State chartered banks**
- **Savings and loans**
- **Farm credit banks**
- **Credit unions**

Eligible Borrowers:

- For-profit business
- Nonprofits
- Cooperatives
- Federally recognized Tribes
- Public bodies
- Individuals
- Agricultural producers if loan amount is above FSA guaranteed loan authority
- Borrower must have been operating as of 02/15/2020.

Eligible Loan Purposes:

Working capital loans to cover costs incurred due to the impacts of the COVID-19 pandemic, including:

- Wages and salaries
- Administrative expenses
- Insurance
- Debt service payments on existing loans
- Rent, lease payments, routine maintenance
- Taxes and utilities
- Inventory
- Ag production expenses including inventory and feed
- Marketing and distribution costs
- Loan costs

Guarantee Percentage:

90% for all loans

Eligible Business Location:

- Any area other than a city or town with a population of greater than 50,000 inhabitants and the urbanized area of that city or town
- 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

Loan Limits:

Maximum loan amount is borrower's average monthly eligible working capital expenses multiplied by twelve or \$25 million, whichever is less.

Already-received PPP loans or other Federal emergency assistance must be subtracted from maximum.

No minimum loan amount.

10-Year Maximum Term

Collateral Requirements:

Collateral must have documented value sufficient to protect the interest of the lender and the Agency. The collateral value (typically FMV) must be at least equal to the loan amount.

No discounting of collateral required.

Appraisals up to two years old may be accepted.

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Applicable Fees:

- Initial guarantee fee: 2%
- 50 bps annual renewal fee

Interest Rates:

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

Equity Requirements:

- At least 10 percent balance sheet equity at loan closing (intangible assets can be included).
- Borrower can also invest outside funds of at least 10% towards eligible costs at closing.

Changes to Application Requirements:

- No business plan or feasibility study required with application
- Tax returns are acceptable if GAAP compliant historical financial statements are not available.
- Simplified application requirements for loans of \$600,000 or less
- Applications can be combined with regular B&I applications

Governing Regulations:

- Basic Program: Code of Federal Regulation, [7 CFR 4279-A&B](#)
- Loan Servicing: Code of Federal Regulation, [7 CFR 4287-B](#)
- CARES Notice: Federal Register Vol. 85, No. 100 published May 22, 2020.

B&I CARES Act Enhancements:

	Regular B&I Program	B&I CARES Act
Loan Purpose	WC, RE, M&E, Bus. Acquisition, Refi	Working Capital (WC) <u>only</u>
Guarantee %	80% (\$5.0MM or less)	90% (all loans, regardless of size)
Guarantee Fee	3%	2%
Appraisal Required	Yes	No (if loan is \$1.0MM or less)
Collateral Discount	RE: 80%; M&E: 70%; A/R & Inv.: 60%	No Discount required; must be 1:1 LTV
Term (max.)	7 yrs.	10 yrs.; may defer P&I 12 mos.
Capital/Equity	Tangible Balance Sheet Equity (TBSE): 10% existing business; 20% new business	Borrower must meet one of the following at closing: <ul style="list-style-type: none"> • Balance sheet (not TBSE) equity of 10% • 10% investment of funds into project • Owner-contributed capital of at least 10% of total fixed assets

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