# USDA GUARANTEED LOAN PROGRAMS

| | USDA Business and Industry (B&I) | Rural Development Multi Family Housing |
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| **USE** | **Eligible Loan Purposes**<br>• Business and industrial acquisitions, construction, conversion, expansion, repair, modernization or development costs.<br>• Purchase of equipment, machinery or supplies.<br>• Startup costs and working capital.<br>• Processing and marketing facilities.<br>• Pollution control and abatement.<br>• Refinancing for viable projects, under certain conditions.<br>• Purchase of startup cooperative stock for family sized farms where commodities are produced to be processed by the cooperative. | • The Rural Housing Programs guarantees loans under the Rural Rental Housing Guaranteed loan program for development of multi-family housing facilities in rural areas of the United States. Loan guarantees are provided for the construction, acquisition, or rehabilitation of rural multi-family housing.<br>• The program has been designed to increase the supply of affordable multifamily housing through partnerships between HCFP and major lending sources, as well as State and local finance agencies and bond issuers.<br>• The program is limited to rural areas. Generally, communities are eligible if they have populations of less than 10,000, OR less than 20,000 if there is a serious lack of mortgage credit available. |
| **SIZE** | • $150,000 to $10,000,000*<br>• *Loan guarantees are limited to a maximum of $10 million per borrower, although the Rural Business-Cooperative Programs Administrator can grant up to $25 million.<br>• Maximum of $400,000 for purchase of startup cooperative stock. | • $150,000 to $10,000,000 |
| **TERM** | **Maximum Repayment Terms**<br>• Working Capital - 7 years.<br>• Machinery and Equipment – 15 years (or useful life)<br>• Real Estate - 30 years. | • The terms of the loans guaranteed may be up to 40 years, and the loans must be fully amortized. |
| **INTEREST RATE** | **Interest Rate**<br>• Interest rates for loans may be fixed or variable.<br>• The rate is negotiated between the lender and borrower and is similar to those rates customarily charged to other borrowers in similar circumstances.<br>• A variable rate must be tied to a nationally published rate.<br>• Variable rates cannot be adjusted more than quarterly. | • Rates of the loans guaranteed must be fixed, as negotiated between lender and borrower, within the HCFP maximum established under the Notice of Fund Availability (NOFA).<br>• The rate is based on the 30-year Treasury bond rate on the day prior to date of loan closing. Maximum rent is 30 percent of 115 percent of median income, and average rent of all units is 30 percent of 100 percent of the median income adjusted for family size. |

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| **ELIGIBILITY** | **Eligible Borrowers**<br>• Any legal entity, including individuals, public and private organizations, profit or non-profit and federally recognized Indian tribal groups, may qualify.<br>• There is no size restriction on the businesses.<br>• Local economic development organizations and investors can be considered. | • Occupants must be very- low-, low- or moderate-income households, elderly, handicapped, or disabled persons with income not in excess of 115% of the area median income. Very low income is defined as below 50 percent of the area median income (AMI); low income is between 50 and 80 percent of AMI; moderate income is capped at $5,500 above the low-income limit. The average rent of all units is 30% of 100% of the median income of the surrounding area (adjusted for family size). |
| **COLLATERAL** | **Borrower Equity Requirements**<br>• A minimum of 10 percent tangible balance sheet equity is required at the time of issuing the loan note guarantee for existing businesses.<br>• Twenty percent (20%) tangible balance sheet equity is required for new businesses. Equity is developed in accordance with general accepted accounting principles. **Feasibility studies may be required**. | |
| **FEES** | • Bank loan fee of 1% of loan amount.<br>• Normal closing costs<br>• A one-time guarantee fee of 2% of the guaranteed principal amount is paid by borrower to USDA. USDA also charges an annual .25% servicing fee on the unpaid principal balance of the guaranteed portion of the loan. Stimulus qualified loans pay a 1% fee to USDA and no servicing fee. | • Bank loan fee of 1% of the loan amount.<br>• Normal Closing Costs |
| **BENEFITS** | • Low down payment<br>• Longest maturities<br>• Reduce monthly payment<br>• Owner user or investment property<br>• Small markets OK | • Rural markets OK<br>• Long maturities<br>• Lowest monthly payments |