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Committed to the future of rural communities.

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# Guaranteed Lending Ledger

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August 2009

## Business and Industry ARRA Funds Now Available

In March, Agriculture Secretary Tom Vilsack announced the U.S. Department of Agriculture (USDA) will assist in implementing \$28 billion in funding through the American Recovery and Reinvestment Act (ARRA) of 2009.

A total of \$1.7 billion has been provided to USDA Rural Development and is available on a first-come-first-served basis to assist projects under the agency's Business & Industry Guarantee Program. Up to 90% guarantees are available on funded loans. Plus, the guarantee fee has been reduced to 1% and there are no annual fees.

The purpose of these funds is to encourage the creation or retention of quality jobs in those rural areas of greatest need, most difficult to reach, and among those areas hardest hit by the current economic crisis.

Rural Development is utilizing certain existing program features to encourage economic stimulus in those rural areas experiencing persistent poverty, outmigration, high unemployment and underserved and underrepresented groups and areas, which are among those areas hardest hit by the current economic crisis.

Ineligible projects include zoos, aquariums, convenience stores (unless the store provides quality jobs and sells or will sell E85 fuel upon completion of the project), pools, water parks, hotels/motels with pools, golf courses, casinos or other gambling establishments, and museums.

Applications for these funds are now being accepted and will be until September 30, 2010 or until all funds are expended.



## Refinancing Through Rural Development's Business Programs



*The Dows Travel Plaza, Dows, Iowa, is a recently completed project financed with Rural Development Business Programs guaranteed funds.*

Guaranteed loan funds may be used to refinance outstanding debt when it is determined that the project is viable and refinancing is necessary to improve cash flow and create new or save existing jobs.

Existing lender debt may be included provided that at the time of application, the loan has been current for at least the past 12 months and the lender is providing better rates of terms. Existing lender debt refinancing must be a secondary part (less than 50%) of the overall loan.

Debt being refinanced must be incurred for the facility or services being financed. Arrangements cannot be made with creditors to extend or modify the terms of the debts.

If banks have separate tax ID's and FDIC Certificate numbers, the Agency may treat them as different lenders. As an example, a member of a bank holding company could refinance another member of a bank holding company with an Agency guaranteed loan and not be subject to the existing lender threshold (less than 50%).

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## 2009 Disaster Funds Update

Agriculture Secretary Tom Vilsack recently announced the availability of \$188 million in USDA disaster funding. These funds will help individuals, businesses and communities in areas that were declared a major disaster during 2008.

Under this announcement, USDA Rural Development in Iowa is accepting applications to fund affected communities under the Community Facilities Program. The Community Facility Program finances the development of essential community facilities in rural areas. These include hospitals, medical clinics, elderly care, first responder equipment and facilities, vocational and medical rehabilitation centers and educational facilities.

USDA Iowa Rural Development is also accepting applications to help rural communities build, expand or repair water, wastewater and water disposal facilities in designated disaster areas.

Applications for guaranteed loans to support the development of private businesses through USDA Rural Development's Business and Industry Guaranteed Loan Program are also being accepted. This program helps improve, develop or finance business, industry and employment and improve the economic and environmental climate in rural communities.

## Recently Funded Projects

USDA Rural Development would like to recognize and thank the following lenders for their participation in our guaranteed loan programs.

### Community Programs

Lender	Borrower Activity	Loan Amount
Patriot Bank	Fire Truck	\$86,000
Security State Bank	Assisted living facility	\$1,888,342
Heritage Bank	City Equipment	\$60,750
First Citizens National Bank	Vocational rehabilitation center	\$120,000
Tri-Valley Bank	Animal shelter	\$225,000
United Bank & Trust Company	Assisted living facility	\$1,500,000
Bank Iowa	Mental health & social services building	\$68,000
Page County Federal Savings Association	Glenn Miller Museum	\$120,000

### RD Fast Facts

Borrowers of Rural Development guaranteed funds must be public entities, nonprofit entities or federally-recognized Indian tribes.

Borrowers of B&I guaranteed funds may be a for-profit entity.

Loans are primarily processed on lender forms and applications are accepted year round.

### Business Programs

Lender	Borrower Activity	Loan Amount
United Bank of Iowa	Ag supply business	\$1,500,000
Ackley State Bank	Animal breeding service	\$786,625
United Bank of Iowa	Ethanol plant	\$4,500,000
Bank Iowa	Animal feed manufacturer	\$835,000
Security National Bank (Sioux City)	Manufacturer/machinist	\$9,000,000
American National Bank	Biodiesel plant	\$3,500,000
First National Bank	Implement dealer	\$1,147,500
Manufacturer's Bank & Trust	Real estate holding company	\$1,570,000
Manufacturer's Bank & Trust	Grocery store	\$1,225,000
HNF Development	Motel	\$1,800,000
Bank Iowa	Real estate holding company	\$2,400,000
Bank Iowa	RV Manufacturer	\$2,000,000
Bank Iowa	Food processor	\$1,500,000
American Trust & Savings Bank	Biodiesel (restructuring)	\$25,000,000
Bank of the West	Cheese production	\$21,510,000

## Community Programs Basics

- Loans can be guaranteed in communities with 20,000 residents or less.
- Borrowers must be unable to obtain credit at reasonable rates and terms without the guarantee.
- Rates and terms are negotiated between the borrower and the lender. Variable rates are allowed. Maximum repayment term is 40 years or the useful life of the facility/equipment.
- Funds may be used to pay 100% of costs. Maximum loan limits are determined by project feasibility.
- Loans must be based on sound security, repayment ability and reasonable financial projections.
- Funds can be used to purchase, construct or improve essential community facilities, purchase major equipment and pay related project expenses.

## Business Programs Basics

- Loans can be guaranteed in communities with 50,000 residents or less.
- No size restriction on the business.
- Maximum of \$25 million per borrowers, maximum \$40 million if a cooperative-type organization.
- Interest rates may be fixed or variable and are negotiated between lender and borrower.
- Eligible loan purposes include most typical business needs, except revolving lines of credit.
- Guarantee portion can be sold to enhance liquidity and increase profitability while limiting financial exposure.
- Allows lender to make loans above its loan limits.

## Water & Wastewater Program Basics

Program basics for the Water and Wastewater Program are the same as Community Programs, except:

- Projects must provide service to incorporated communities with populations less than 10,000 or unincorporated rural areas with any population.
- Funds may be used to construct, enlarge, extend or otherwise improve rural water, sanitary sewage, solid waste disposal and storm wastewater disposal facilities; purchase land; purchase or rent major equipment; and pay related project expenses (i.e. legal, engineering, architectural or environmental fees).



Committed to the future of rural communities.

USDA Rural Development is an equal opportunity lender, provider and employer. Complaints of discrimination should be sent to USDA, Director, OCR, Washington D.C. 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).