

USDA RURAL DEVELOPMENT'S BUSINESS AND INDUSTRY CARES ACT PROGRAM

QUICK SHEET

FUNDING OPPORTUNITY'S OBJECTIVE

The USDA Rural Development's Business and Industry (B&I) CARES Act Program is designed to offer loan guarantees to lenders who work with rural businesses and agricultural producers to supplement their working capital to prevent, prepare for and respond to the economic impacts of COVID-19.

AMOUNT OF FUNDING AVAILABLE

USDA has up to \$1 billion in lending authority for this program.

Maximum loan amount: \$25 million.

Program funding is available until expended, not to exceed September 30, 2021.

The loan shall be based on a cash flow analysis and must not be greater than the amount needed to recover from the problems caused by the COVID-19 pandemic. The maximum loan amount of the B&I CARES Act Program may not exceed 12 times the borrower's total average monthly costs or working capital expenses. The total loan amount will be reduced by any SBA PPP loans or other federal emergency assistance received.

REPAYMENT TERMS

The maximum loan term is 10 years. Loans must be repaid in full and amortized by the maturity date; balloon payments are not permitted. Interest payments may be deferred in the first year; principal payments may be deferred for up to 3 years.

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.

ELIGIBLE USES FOR THE B&I CARES ACT PROGRAM LOANS

Loans must be used for working capital to prevent, prepare for or respond to the effects of the COVID-19 pandemic. Loans may be used to only support rural businesses and agricultural producers that were in operation on February 15, 2020. Loan proceeds must be disbursed through multiple draws on an as-needed monthly basis.

Program's eligible uses include:

- Wages, salaries, sales commissions to employees, group healthcare benefits, and other employee benefits;
- Administrative expenses and administrative service contracts;
- Property insurance, hazard insurance, and other business insurance;
- Principal and interest payments on existing loans during the pandemic recovery, excluding any owner/stockholder debt or related party debts;
- Rent, payments on leases, and routine maintenance;
- Taxes and utilities;
- Business inventory;
- Ag production expenses including inventory, feed, seed, fertilizer and chemicals, livestock (excluding livestock for breeding) and supplies;
- Marketing, shipping and other expenses incurred through normal business operations or such additional expenses due to the national COVID-19 public health emergency; and
- Loan costs and essential loan-related expenses.

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ELIGIBILITY

Individual borrowers must be U.S. citizens. Private-entity borrowers must demonstrate that loan funds will remain in the U.S.

The following entities are eligible to qualify for the B&I CARES Act Program loan guarantees:

- For-profit
- Non-profit;
- Cooperatives;
- Federally recognized tribes; and
- Public bodies.

A rural business or agricultural producer is eligible for the B&I CARES Act Program if they are considered to be in an eligible area:

- Rural areas outside of a city or town with a population of fewer than 50,000 people.
- 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 in the United States.

REQUIREMENTS TO APPLY

Interested borrowers should inquire about the program with their local agricultural or business lender. Applications are accepted from eligible lenders through USDA local offices year-round. Applications are received and processed in the Rural Development State Office. The deadline to submit applications is September 15, 2021, or until funds made available for this purpose are expended.

Lenders interested in participating in this program should contact the [USDA Rural Development Business Programs Director](#) in the state where the project is located.

Forms to apply for the B&I CARES Act Program can be found at <https://www.rd.usda.gov/programs-services/business-and-industry-cares-act-program>, under the "To Apply" tab.

CONSIDERATIONS

- There is a 90% loan guarantee for all loans.
- There is an initial guarantee fee equal to 2% of the guaranteed amount.
- There is an annual renewal fee of 0.5% of the outstanding principal balance calculated at December 31 of each year.
- Reasonable and customary fees are negotiated between the borrower and lender.
- Loans for working capital to support agricultural production, including independent agricultural production, are eligible if the applicant's loan request exceeds Farm Service Agency (FSA) guaranteed loan authority or the applicant's request is otherwise ineligible for FSA loans.
- USDA intends to consider applications in the order they are received. However, the Department may assign priority points to projects if the demand for funds exceeds availability.
- The proposed operation must have a realistic repayment ability.
- The business and its owners must have a good credit history.
- Collateral must have documented value sufficient to protect the interest of the lender and the Agency. The collateral value must be at least equal to the loan amount. Hazard insurance is required on collateral (equal to the loan amount or depreciated replacement value, whichever is less).

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GUARANTEED LOAN FUNDS MAY NOT BE USED FOR:

- Purchase and development of land, buildings, and associated infrastructure for commercial or industrial properties, including expansion or modernization.
- Business acquisitions.
- Leasehold improvements.
- Constructing or equipping facilities.
- Purchase of machinery and equipment.

A full list of ineligible uses for the B&I CARES Act guaranteed loans can be found [here](#).

WHO CAN BE CONTACTED TO PROVIDE TECHNICAL ASSISTANCE AND SUPPORT?

Interested borrowers should inquire about the program with their local agriculture or business lender.

Lenders may find the contact information to their states USDA Rural Development Business Programs Director [here](#).

For more information about the B&I CARES Act Program please visit:

<https://www.rd.usda.gov/programs-services/business-and-industry-cares-act-program>.

Source: rd.usda.gov