



Committed to the future of rural communities.

**United States Department of Agriculture  
Rural Development  
California  
www.rurdev.usda.gov/ca**

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## **OBTAINING A B&I GUARANTEED LOAN**

March 29, 2004

### **Business & Industry (B&I) Processing Guide and Application Checklist**

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USDA Rural Development's Business & Industry (B&I) Guaranteed Loan Program helps rural businesses by guaranteeing the loans of commercial lenders who might not otherwise extend credit. The B&I guarantee acts as an incentive to spur business lending in rural areas.

#### **ATTENTION BUSINESSES!**

The B&I program is fundamentally a lender-driven process. USDA cannot consider a B&I proposal in detail until a lender expresses serious interest in the project. Nevertheless, USDA will gladly discuss prospective B&I projects with those businesses still seeking a lender so that they can be better informed when they approach potential sources of credit.

#### **ATTENTION LENDERS!**

Whenever a lender begins to seriously consider a loan for a possible B&I guarantee, they are encouraged to call USDA to discuss the project on an informal basis. USDA can give at least a tentative indication as to the eligibility of the project for a B&I guarantee. If you decide to proceed with a project, we suggest you first submit a preapplication only (see below). This saves time by allowing USDA to review the project at an early stage and direct your efforts.

#### **THE APPLICATION PROCESS**

A B&I application requires information from both the business and the lender, with the lender coordinating these efforts. The first step is to submit a preapplication for USDA's review. No forms are required in the preapplication! (See Exhibit A.) USDA will then arrange a meeting with all parties, usually at the project site. If the project appears viable, the parties will be encouraged to submit a complete application. (See Exhibit B) Please note that USDA offers free software for completing all B&I application forms ("B&I Loanpack 00"), which can be downloaded from the internet (<http://www.rdirm.usda.gov/simb/>). Within 60 days of receiving a complete application, USDA will make a final approval decision. B&I loan processing is coordinated by the California USDA Rural Development State Office, but to provide timely service, selected USDA loan officers around the state handle the actual processing. Loans under \$5 million are approved by the California State Office; larger loans must be approved by USDA's National Office in Washington, D.C.

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#### **Additional information and forms are available from USDA Rural Development:**

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California State Office:

Chuck Clendenin, Business & Cooperative Program Director

Krista Minges, Business Technician

430 G St., Dept. 4169, Davis, CA 95616-4169

(530) 792-5800; fax 792-5838

Chuck 792-5825 or [chuck.clendenin@ca.usda.gov](mailto:chuck.clendenin@ca.usda.gov)

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430 G Street • Agency 4169 • Davis, CA 95616

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Rural Development is an Equal Opportunity Lender, Provider, and Employer. Complaints of discrimination should be sent to USDA, Director, Office of Civil Rights, Washington, D. C. 20250-9410

**B&I Coordinator:** Larry Strong, B&I Coordinator  
251 Auburn Ravine Rd., Ste. 107, Auburn, CA 95603  
(530) 885-7081 x 114 or 792-5805; fax 823-5504; or [larry.strong@ca.usda.gov](mailto:larry.strong@ca.usda.gov)

**Eureka Area Office:** Debbie Coggins, Rural Development Manager  
5630 South Broadway, P.O. Box 4907, Eureka, CA 95502  
(707) 443-6714 x 4; fax 442-7514; or [deborah.coggins@ca.usda.gov](mailto:deborah.coggins@ca.usda.gov)

**Oroville Area Office:** Ron Tackett, Rural Development Manager  
150-D Chuck Yeager Way, Oroville, CA 95965  
(530) 533-4401 x 103; fax 533-4936; or [ron.tackett@ca.usda.gov](mailto:ron.tackett@ca.usda.gov)

**Visalia Area Office:** Fred Smith, Rural Development Specialist  
3530 W. Orchard Ct., Visalia, CA 93277  
(559) 734-8732 x 107; fax 732-3481; [fred.smith@ca.usda.gov](mailto:fred.smith@ca.usda.gov)

**Fresno Area Office:** Lee Takikawa, Rural Development Specialist  
4625 W. Jennifer, Ste 126  
Fresno, CA. 93722  
(559)276-7494 x 134; fax 276-1791; [lee.takikawa@ca.usda.gov](mailto:lee.takikawa@ca.usda.gov)

**Santa Maria Area Office:** Jim McIntire, Rural Development Manager  
920 East Stowell Rd., Santa Maria, CA 93454  
(805) 928-9269 x 118; fax 928-9644; or [jim.mccintire@ca.usda.gov](mailto:jim.mccintire@ca.usda.gov)

**Santa Rosa Area Office:** Al Aiello, Rural Development Specialist  
777 Sonoma Ave., E Street Annex, Santa Rosa, CA 95404  
(707) 526-6797 x 104; fax 526-8942; or [al.aiello@ca.usda.gov](mailto:al.aiello@ca.usda.gov)

**Indio Area Office:** Steve Crabtree, Rural Development Specialist  
82-901 Bliss Ave., Indio, CA 92201  
(760) 342-4624 x118; fax 347-4074; or [stephen.crabtree@ca.usda.gov](mailto:stephen.crabtree@ca.usda.gov)

**A QUICK SCHEME FOR SCREENING B&I LOAN PROSPECTS**

Is it a viable commercial loan project?



Is the project located in a rural area?



Can SBA's 7(a) guaranteed program handle the project instead?



Is the business eligible for the B&I program?



Will jobs be created or made more secure?



**Special requirements:**

Business is majority-owned by US citizens or permanent residents.

No 20%+ owners are US government/military employees.

Project does not involve relocation of more than 50 employees.

If lender is refinancing their own debt, this purpose is less than half of the loan.



**Adequate Collateral Test** (using *current appraisal* values)



**Tangible Balance Sheet Equity Test** (using *depreciated cost basis* values)  
(10% minimum for existing businesses; 20% minimum for new businesses)



**Practical considerations**

Environmental controversy (avoid floodplains & prime farmland)

Independent feasibility study (for start-ups, new locations, & businesses with recent losses)

↓

Funding priorities -- preferred projects are:  
projects in communities <25,000 projects in economically depressed or disaster-stricken areas  
high impact businesses paying high wages

## Exhibit A Contents of a B&I Preapplication

The following items are needed to complete a preapplication and must be received before a field visit can be made. Note that no forms are required at this stage.

### Completed Jointly by the Lender & Applicant:

1. A *joint* letter, on the lender's letterhead, detailing:

*The Lender* -- contact person, tax ID number

*The Applicant* -- address, phone, contact person, tax ID number

*The Business* -- product or service, NAIC code, date established, organization, ownership

*Its Financial Position* -- assets, equity, any delinquent debt

*The Project* -- total cost, source & use of funds, detail of applicant contributions

*The Site* -- size (acres), current state of development, surrounding land use

*Employment Impact* -- # of full-time equivalent jobs before and after project; average wage rate of employees

*The Loan* -- amount, proposed interest rate & term

*Collateral* -- proposed collateral, lien position, security value

*Legal or regulatory concerns* -- Disclose any pending adverse action against the applicant or its affiliates, officers, or principals; or indicate that there are none.

The letter must indicate the lender's willingness to finance the proposal.

### Completed by the Applicant:

2. A map (e.g., a street, topographic, or parcel map) showing the exact location of the business, and indicating where any construction will occur.
3. A current balance sheet and year-to-date income statement (no more than 90 days old) for the business (including any parent, affiliate, and subsidiary firms). (*NOTE: Assets must be valued at cost less accumulated depreciation.*)
4. Accountant-prepared, year-end financial statements for the preceding 3 fiscal years (or, if a new business, for as long as the business has been in existence).
5. Detailed projected income statements, balance sheets, and cash flow statements for the next 2 years, with an explanation of the assumptions used in the forecasts. *If desired, projections may be submitted for the first year only, with the second year submitted later as part of the complete application.*
6. A business plan. *Existing businesses may elect to submit this with the complete application.*

### Completed by the Lender:

7. A *pro forma* balance sheet, derived from the current balance sheet (item 3 above), showing the business's new assets and debts once the proposed loan project is completed. (*NOTE: Assets must be valued at cost less accumulated depreciation.*) Use of the format provided on page 4 is encouraged.

## Pro Forma Tangible Balance Sheet Equity Calculation

Recommended format for calculating pro forma tangible balance sheet equity.

**Instructions:**

1. Attach the current balance sheet from which the "Beginning Position" (column 1 below) figures are taken. Be sure that the "Beginning Position" values are based on depreciated book value (cost), not current market values. If the applicant's balance sheet is not prepared on a cost basis, provide an attachment explaining adjustments made to derive cost basis figures.
2. Deduct intangible assets (columns 2 & 3). Itemize intangible assets deducted in the explanation section below the table.
3. Debit and credit assets and liabilities (columns 4, 5, & 6) to reflect the effect of the B&I financing and other sources & uses of funds. Itemize debits and credits in the explanation section below the table. (Do not add assets which are intangible under Generally Accepted Accounting Principles -- e.g., take-out loan fees.)
4. Divide pro forma equity by pro forma total assets to determine % equity position.

Applicant: \_\_\_\_\_

Derived from Balance Sheet (attached) as of: \_\_\_\_\_

	1	2	3	4	5	6
	Beginning Balance Sheet Position	<i>less</i> Intangible Assets <sup>1</sup>	<i>equals</i> Tangible Beginning Position	<i>plus</i> Debits <sup>2</sup>	<i>less</i> Credits <sup>3</sup>	<i>equals</i> Pro Forma Tangible Position
<b>Total Assets</b>						
<b>Total Liabilities</b>						
<b>Equity</b>						
					<b>%Equity =</b>	

<sup>1</sup> Itemize intangible assets:

<sup>2</sup> Itemize debits:

<sup>3</sup> Itemize credits:

## Exhibit B Items Needed for a B&I Complete Application

In addition to the items mentioned in Exhibit A, the following information is needed for a final decision on a B&I request:

### Completed Jointly by the Lender and Applicant:

1. Form 4279-1, "Application for Loan Guarantee (Business & Industry)."

### Completed by the Lender:

2. The lender's credit analysis of the proposed loan. This must include spreadsheets comparing the applicant's past and projected financial statements, analyzing financial ratios, and comparing the business with SIC industry averages.
3. A current appraisal of the property to be taken as security -- real estate, equipment, etc. Real estate appraisals should be complete summary reports and must comply with the Uniform Standards of Professional Appraisal Practices. Equipment appraisals should report both a fair market value and an orderly liquidation value. *(NOTE: USDA has some discretion to approve a B&I guarantee subject to an adequate appraisal.)*
4. Credit reports. A commercial credit report on the applicant business, plus credit reports on all proposed personal and corporate guarantors (including all owners with a 20%-or-more interest in the business).
5. A draft of the lender's proposed loan agreement with the borrower. Please note that it must address all of the following issues:

#### Negative Covenants:

- Limitations on purchase or sale of equipment and fixed assets.
- Limitations on compensation of officers and owners.
- Restriction on dividend payments.
- Restrictions concerning consolidations, mergers, or other circumstances.
- Prohibition against assuming liabilities or obligations of others.
- Limitations on selling the business without the concurrence of the lender.

#### Financial Standards Covenants:

- Minimum working capital or current ratio requirement.
- Maximum debt-to-net worth ratio.

#### Financial Reporting Requirements:

- Type and frequency of submission of financial statements. *(Note: The borrower and all guarantors must provide financial statements at least annually. Nonprofits and public bodies must meet federal audit standards in their financial reporting.)*

### Completed by the Applicant:

6. Current (not more than 90 days old) financial statements on all owners of the business who will provide personal/commercial guaranties (normally, all owners with a 20%-or-more interest in the business).
7. Debt Collection Improvement Act certification. (Use format provided on page 8.)

**NOTE: The remaining items are only required in special cases.**

*Item 8 is only needed if the project involves a start-up business or one which has not yet established a sufficient profitable track record. USDA will determine whether or not this will be required:*

8. A feasibility study -- completed by an independent consultant agreed to by all parties -- addressing the economic, market, technical, financial, and management feasibility of the project. *It should be contracted by the lender, but the cost may be included in the loan.*

*Item 9 is only needed if the proposed loan is more than \$1 million and will increase direct employment by more than 50 employees:*

9. Form 4279-2, "Certification of Non-Relocation and Market Capacity Information Report."

*Item 10 is only needed if the loan will be secured by real estate:*

10. FEMA Form 81-93, "Standard Flood Hazard Determination" (flood zone certification)

*Item 11 is only needed if the project involves construction:*

11. Form FmHA 1940-20, "Request for Environmental Information." **Complete items 1, 3, and 4 only.** (Do not contact the State Historic Preservation Officer!) **(The earliest possible submittal of this is encouraged to expedite USDA's environmental review.)**

*Item 12 is only needed if the project involves (a) construction on a previously undisturbed site or (b) construction affecting a structure that is 50+ years old:*

12. A report on the project site from the local California Historical Resource Information Center. Further direction and a list of centers is provided on page 7. **(The earliest possible submittal of this is encouraged to expedite USDA's environmental review.)**

*Item 13 is needed if there are environmental contamination concerns with the security property:*

13. All completed lender environmental questionnaires and studies (e.g., Transaction Screen Questionnaire, VISTA, Phase I or Phase II) on the real estate, along with mitigation/clean-up cost estimates. *USDA may request further studies.*

*Item 14 is only needed if the applicant will be a franchisee:*

14. A copy of the Uniform Franchise Offering Circular (UFOC).

*Item 15 is only needed if the project is a commercial rental facility (retail center, office building, etc.):*

15. List of committed tenants -- including type of lease (triple net, etc.), lease term (years and options to renew), square footage, rental rate per square foot, and monthly rent.

**Additional guidance on Exhibit B, #12. California Historical Resources Information Center report.**

Whenever a USDA project involves the development of a previously undisturbed site or affects a structure that is 50 years old, USDA must confirm that no valuable archaeological or historical resources will be harmed. To do this, a report on the project site must be obtained from the California Historical Resources Information System (CHRIS). There are 11 CHRIS centers statewide (see below). They are repositories of archaeological and historical data, so they can evaluate the sensitivity of any site.

County served	Center to contact	County served	Center to contact
Alameda, Colusa, Contra Costa, Del Norte, Humboldt, Lake, Marin, Mendocino, Monterey, Napa, San Benito, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma, Yolo	Northwest Information Center Sonoma State University 1303 Maurice Ave. Rohnert Park, CA 94928 (707) 664-0880; fax 664-0890 <a href="mailto:nwic@sonoma.edu">nwic@sonoma.edu</a>	Alpine, Calaveras, Mariposa, Merced, San Joaquin, Stanislaus, Tuolumne	Central California Information Center Department of Anthropology California State University Stanislaus 801 W. Monte Vista Ave. Turlock, CA 95382 (209) 667-3307; fax 667-3324 <a href="mailto:egreatho@toto.csustan.edu">egreatho@toto.csustan.edu</a>
Butte, Glenn, Lassen, Modoc, Plumas, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity	Northeast Information Center Dept. of Anthropology, Langdon 303 California State University Chico Chico, CA 95929-0400 (530) 898-6256; fax 898-4413 <a href="mailto:neinfocntr@csuchico.edu">neinfocntr@csuchico.edu</a>	Los Angeles, Orange, Ventura	South Central Coastal Information Ctr. Institute of Archaeology - A163 Fowler University of California Los Angeles Los Angeles, CA 90095-1510 (310) 825-1980; fax 206-4723 <a href="mailto:scicc@ucla.edu">scicc@ucla.edu</a>
San Bernardino	San Bernardino Archeological Info Ctr San Bernardino County Museum 2024 Orange Tree Ln. Redlands, CA 92374 (909) 307-2669 x255; fax 307-0689 <a href="mailto:rlaska@sbcm.sbcounty.gov">rlaska@sbcm.sbcounty.gov</a>	Inyo, Mono, Riverside	Eastern Information Center Department of Anthropology University of California Riverside Riverside, CA 92521-0418 (909) 787-5745; fax 787-5409 <a href="mailto:eickw@ucr.ac1.ucr.edu">eickw@ucr.ac1.ucr.edu</a>
San Diego	South Coastal Information Center Social Sciences Research Lab 5500 Campanile Dr. San Diego State University San Diego, CA 92182-4537 (619) 594-5682; fax 594-4483 <a href="mailto:scic@mail.sdsu.edu">scic@mail.sdsu.edu</a>	Imperial	Southeast Information Center Imperial Valley College Desert Museum P.O. Box 430 (mailing address) 11 Frontage Rd. (physical address) Ocotillo, CA 92259 (760) 358-7016; fax 358-7827 <a href="mailto:ivcdm@imperial.cc.ca.us">ivcdm@imperial.cc.ca.us</a>
Fresno, Kern, Kings, Madera, Tulare	Southern San Joaquin Valley Info. Ctr. California State University Bakersfield 9001 Stockdale Hwy. Bakersfield, CA 93311-1099 (661) 664-2289; fax 664-2415 <a href="mailto:abaldwin@csubak.edu">abaldwin@csubak.edu</a>	Amador, El Dorado, Nevada, Placer, Sacramento, Yuba	North Central Information Center Department of Anthropology California State University Sacramento 6000 J St. Sacramento, CA 95819-6106 (916) 278-6217; fax 278-5162
San Luis Obispo, Santa Barbara	Central Coast Information Center Department of Anthropology University of California Santa Barbara Santa Barbara, CA 93106 (805) 893-2474; fax 893-8707 <a href="mailto:byoshida@umail.ucsb.edu">byoshida@umail.ucsb.edu</a>		

The CHRIS centers typically charge \$90/hour for their service, which generally takes 1-2 hours. They normally report their findings within 15 working days of receiving a request. For about \$135/hour, they will provide a "rapid response," within 5 days. (Use of this option is recommended, but not required.) To request a report, supply the center with the following:

1. A letter requesting a "records search" and agreeing to pay for up to 4 hours of search time. Explain that the information is need for a federal loan application.
2. A description of the project, including street address & assessor's parcel number (APN), focusing on any planned ground disturbance. Be sure to indicate the extent to which previous site disturbance has occurred. If an existing structure is to be demolished or renovated, a photograph and explanation should be included.
3. A detailed location map which will allow the center to pinpoint the site's location.

**Certification  
Pursuant to  
Debt Collection Improvement Act of 1996**

The undersigned has applied for assistance from USDA Rural Development's Business & Industry (B&I) guaranteed loan program. The following supplemental information is provided:

Is the applicant, or any party with a 20%-or-more ownership interest in the applicant, delinquent on any Federal debt?

Yes. If "yes," attach an explanation.

No.

To the best of my knowledge and belief, this certification is true and correct. The document has been duly authorized by the governing body of the applicant.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name of Applicant