



B&I CARES Act Program



Agenda

- I. B&I Program Overview
- II. B&I CARES Act Program Overview
- III. Application Process
- IV. Resources
- V. Q & A and wrap-up

Business & Industry (B&I) Guaranteed Loan Program

- Helping rural businesses access private capital since 1972.
- Typical loan purposes include the purchase and development of land and buildings, equipment, machinery and supplies.

B&I CARES Act Program Modifications

Loan proceeds limited to working capital purposes only.



B&I Guaranteed Loan Program

Eligible Borrowers include:

- For-profit businesses.
- Nonprofits.
- Cooperatives.
- Federally-recognized Tribes.
- Public bodies.



B&I Guaranteed Loan Program: Eligible Lenders

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

Pre-approved lenders include:

- Federal or state-chartered banks.
- Savings and loans.
- Farm credit banks.
- Credit unions.

B&I CARES Act Program Overview



B&I CARES Act Program Implementation

- Appropriated \$20.5M in program level; supporting up to \$1B in lending authority
- Available until expended, not to exceed September 30, 2021
- Interim Final Rule published on May 22, 2020
- Notice of Funding Availability published on May 22, 2020

B&I CARES Act Program: Different than the (Regular) B&I Program



Limited Loan Purposes: Working Capital Loans Only!

- ❖ *Includes: Payroll Costs, Healthcare Benefits, Salaries, Principal and Interest Payments, Rent/Leases, Utilities, Inventory and Supplies*



**Loans have a 90% Guarantee,
2% Guarantee Fee**



**New Eligible Purposes:
Expanded to Include Ag Production**



**Modified Terms:
Repayment Up to 10 Years
Deferrals – Principal up to 3 Years
Interest up to 1 year**



Capital & Equity Requirements



**Collateral Discounting by the
Lender is not Required**



**Maximum Loan Amount:
\$25 million**

B&I CARES Act Program Provides:

- Increased maximum repayment term to 10 years.
- Loan principal payments may be deferred for up to 3 years from the loan closing. Interest payments may be deferred for up to one year from loan closing.
- Eligible loan purposes include payroll costs, healthcare benefits, salaries, principal and interest payments, rent/leases, utilities, inventory and supplies.

B&I CARES Act Program Provisions

- 90% guarantee percentage for all loans
- 2% guarantee fee paid at loan closing
- 0.5% annual renewal fee
(50 bps)





B&I CARES Act Program: Eligibility

- Eligible B&I borrowers are defined in 7 CFR 4279.108
- Agricultural producers are eligible borrowers, with conditions
- Any B&I CARES Act Program borrowers must have been in operation on February 15, 2020

B&I CARES Act Program: Eligible Loan Purposes

- Working capital loans only.
- Loan must be to cover costs to prevent, prepare and respond to the coronavirus pandemic.
- 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.

B&I CARES Act Program: Eligible Uses

- 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;

B&I CARES Act Program: Eligible Uses (continued)

- 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.

B&I CARES Act Program: Ineligible Loan Purposes

- Business acquisitions
- Purchase of land, buildings, equipment, construction and other capital expenses
- Refinancing, unless such debt refinancing is for debts incurred subsequent to February 15, 2020 for eligible purposes
- § 4279.117 Ineligible purposes and entity types



B&I CARES Act Program: Maximum Loan Amount

- Loans to one borrower (including the guaranteed and unguaranteed portions, the outstanding principal and interest balance of any existing B&I guaranteed loans, and the new loan request) cannot exceed \$25 million.
- Loan shall be based on a cash flow analysis and must not be greater than the amount needed to cure problems caused by the COVID-19 emergency so that the business is reestablished on a successful basis.

B&I CARES Act Program: Maximum Loan Amount (continued)

- The maximum loan amount of the B&I CARES Act Program Loan for working capital purposes may not exceed 12 times the borrower's total average monthly costs of eligible working capital loan purposes less the total amount of any SBA PPP loans or other Federal emergency assistance received.
- Borrowers receiving B&I CARES Act Program Loans in an amount less than the maximum eligible loan amount in accordance with the above paragraph, may apply for subsequent loans under this section not to exceed the maximum loan amount.



B&I CARES Act Program: Maximum Loan Amount (continued)

Maximum B&I Cares loan = 12 X
(Borrower's total avg monthly costs
or W/C expenses)

This amount will be reduced by any
SBA Paycheck Protection Program
loans received by borrower or other
Federal assistance for economic
recovery due to the pandemic
impacts

Maximum loan may not exceed the
traditional \$25 Million threshold to
one borrower

Example

Borrower has monthly operating costs of
\$100,000. They have received a \$250,000
SBA PPP loan.

They would be eligible for a \$950,000 B&I
Cares Act Program loan ~

$$\frac{\$100,000 \times 12 = \$1,200,000 - \$250,000}{=}$$

\$950,000

B&I CARES Act Program: Repayment Terms

Multiple Draws Required

- Loan proceeds must be disbursed through multiple draws on an as-needed monthly basis.

10 Year Maximum

- Notwithstanding the provisions of § 4279.126, the maximum allowable repayment term of loans for working capital purposes is 10 years.

Up to 1 year Principal and Interest Deferral

- Loan repayment may defer principal payments or principal and interest payments for a period up to 12 months from loan origination

Extended Principal Deferrals

- May extend deferral of principal payments up to a total of three years with a maximum repayment term of 10 years from loan origination.

B&I CARES Act Program: Collateral Requirements

- Loans must be adequately secured.
- Collateral discounting by the lender is not required for B&I CARES Act Program Loans for working capital purposes.
- The value of the collateral (fair market value) must be equal to or greater than the loan amount.

B&I CARES Act Program: Appraisal Guidelines

- Appraisals of real estate and chattel collateral are required when the amount of the loan exceeds \$1,000,000, unless the chattel is newly acquired equipment and the value is supported by a bill of sale.
- Notwithstanding the provisions of § 4279.144, the Agency will accept appraisals older than 1 year but completed within 2 years of the application date.
- Lenders may provide an updated appraisal in lieu of a new complete appraisal when the original appraisal is more than 2 years old.
- During the COVID-19 pandemic, an interior or on-site inspection of the collateral is not required under certain circumstances.

B&I CARES Act Program: Capital and Equity Requirements

- 10 percent balance sheet equity;
- Balance sheet equity that includes owner-contributed capital of 10 percent or more of total fixed assets; or,
- The business must invest other funds into the project equal to 10 percent or more of total eligible project costs.



B&I CARES Act Program: Capital & Equity

- All eligible applicants must meet either 10% balance sheet equity (BSE) or 10% project cost contribution requirements at loan closing.

- Applicants do not have to be considered an “existing business” as stated in the traditional B&I regulation. The only requirement is that they were an active and operating business on February 15, 2020.

Example # 1 – Balance Sheet Equity

Borrower must have a minimum of 10% balance sheet equity at closing. A calculation example is:

Current Assets	\$ 150,000	Current Liabilities	\$ 10,000
Noncurrent Assets	<u>\$1,850,000</u>	Noncurrent Liabilities	<u>\$1,200,000</u>
Total Assets	\$2,000,000	Total Liabilities	\$1,210,000

$$\text{BSE} = \$2,000,000 - 1,210,000 / 2,000,000 = \mathbf{39.5\% \text{ Equity}}$$

B&I CARES Act Program: Capital & Equity (cont.)

- All eligible applicants must meet either 10% balance sheet equity (BSE) or 10% project cost contribution requirements at loan closing.

Example # 2 – Income Contribution

Borrower estimates their working capital costs for a month of \$125,000. They utilize the B&I Cares Act Program formula to arrive at a loan request maximum of \$1,500,000. The borrower plans on contributing 10% of equity into the project in the form of cash.

\$1,350,000 B&I loan request	(90%)
<u>\$ 150,000</u> Cash contribution	(10%)
\$1,500,000 Eligible Project Cost	(100%)

B&I CARES Act Program: Capital & Equity (cont.)

- All eligible applicants must meet either 10% balance sheet equity (BSE) or 10% project cost contribution requirements at loan closing.

Example # 3 - Cost Contribution

Borrower has monthly operating costs of \$100,000. They have received a \$250,000 SBA PPP loan. They would be eligible for a \$950,000 B&I Cares loan.

\$ 950,000 B&I loan request	(80%)
\$ 250,000 SBA PPP loan	(20%)
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\$ 1,200,000 total working capital needs	(100%)

B&I CARES Act Program: Application Information



B&I CARES Act Program Application Requirements

- Loans for working capital are classified as categorical exclusions for purposes of the Agency's environmental requirements
- A draft loan agreement is not required at the time of application
- A business plan or feasibility study is not required
- Lenders may substitute and rely on the borrower's tax returns when financial statements prepared in accordance with GAAP are not available from the borrower
- Agricultural producers' financial records must meet the industry's standard accounting practices
- We encourage the use of § 4279.161(c), simplified applications, for loan applications of \$600,000 and less.

B&I CARES Act Program Processes and Procedures

- Applications are received and processed in the RD State Office
- Funds will be maintained in a National Reserve account
- The Agency will consider applications in the order they are received
- Toward the end of the funding period the Agency will assign priority points for the limited remaining funds, and for this purpose the Agency will compare an application to other pending applications that are competing for funding in accordance with 7 CFR 4279.166.

B&I CARES Act Program Processes and Procedures (continued)

- The aggregate total amount of loans for agricultural production will initially be limited to 50% of the total amount of program level of the B&I CARES Act Program, approximately \$475,500,000.
- The Agency may publish future notices in the Federal Register revising the limitation of the amount of funding made available for loans for agricultural production to align with the demand for these loans.



B&I CARES Act Program: Combined Applications

A lender or borrower may combine applications for a B&I CARES Act Program loan for working capital with an application for the standard B&I Guaranteed Loan Program using appropriated fiscal year funds.

The provisions of the B&I CARES Act Loan Program section do not apply to applications for B&I appropriated fiscal year funds.

Resources, Links, and Contacts



B&I CARES Act Program Resources and Links

- Regulation
 - <https://www.govinfo.gov/content/pkg/FR-2020-05-22/pdf/2020-11242.pdf>
- Notice of Funding Availability
 - <https://www.govinfo.gov/content/pkg/FR-2020-05-22/pdf/2020-11243.pdf>
- Fact Sheet
- Web Site:
 - <https://www.rd.usda.gov/programs-services/business-and-industry-cares-act-program>

Other Links and B&I Contacts

- State Office Contacts:
 - <https://www.rd.usda.gov/contact-us/state-offices>
- USDA Coronavirus Resources:
 - <https://www.usda.gov/coronavirus>
- B&I Points of Contact:
 - Aaron Morris, Director, Program Processing Division Aaron.Morris@usda.gov
 - David Chestnut, Branch Chief, Program Management Division David.Chestnut@usda.gov

Q & A

Wrap-up



USDA is an equal opportunity provider, employer, and lender.