



## B&I GUARANTEED LOAN PROGRAM COMPARED TO SBA EXPRESS 7(A) PROGRAM

|                              | B&I  | SBA EXPRESS (7A)   |
|------------------------------|--|--|
| <b>LOAN AMOUNTS</b>          | No minimum<br>Maximum \$10 million with some exceptions up to \$25 million and up to \$40 million on rural cooperatives that process value-added agricultural commodities.   | <b>Maximum \$350,000</b><br><i>SBA maximum exposure \$175,000</i>  |
| <b>ELIGIBLE AREAS</b>        | Any area other than a city or town that has a population of greater than 50,000 inhabitants and the urbanized area contiguous and adjacent to such city or town as defined by the latest decennial census of the United States.  | No restrictions  |
| <b>SIZE STANDARDS</b>        | No restrictions  | Tied to annual sales or number of employees  |
| <b>INELIGIBLE BUSINESSES</b> | <ul style="list-style-type: none"> <li>▪ Finance charitable, religious or fraternal Organizations</li> <li>▪ Golf courses, racetracks and gambling facilities</li> <li>▪ Lending, investment institutions and insurance companies.</li> <li>▪ Businesses engaged in illegal activity or prostitution.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Agricultural and farm businesses</li> <li>▪ Fishing and shore operations (including commercial fishing activities and the construction of new fishing vessels)</li> <li>▪ Medical facilities involving any type of extended care/assisted living situation.</li> <li>▪ Mines (including sand and gravel pits)</li> <li>▪ Applicants with operations, facilities, or offices located overseas.</li> <li>▪ Businesses engaged in teaching, instructing, counseling or indoctrinating religion or religious beliefs, whether in a religious or secular setting.</li> <li>▪ A business deriving directly or indirectly more than de minimis gross revenue through the sale of products or services, or the presentation of any depiction or displays, of a prurient sexual nature or that presents any live performances of a prurient nature.</li> </ul> |

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|---------------------------------|--|--|
| <b>ELIGIBLE LOAN PURPOSES</b>   | <ul style="list-style-type: none"> <li>▪ Business and industrial acquisitions</li> <li>▪ Purchase of land, machinery and equipment</li> <li>▪ Construction, enlargement or modernization</li> <li>▪ Eligible fees and costs</li> <li>▪ Educational or training facilities</li> <li>▪ Tourist facilities</li> <li>▪ Hotels/motels</li> <li>▪ Pollution control or abatement</li> <li>▪ Recreation facilities</li> <li>▪ Working capital</li> <li>▪ Refinancing when it is determined that refinancing is necessary to improve cash flow and create new or save existing jobs.</li> <li>▪ Commercially available energy projects that produce biomass fuel or biogas.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Purchase land or buildings</li> <li>▪ Acquire equipment, machinery, furniture, supplies or materials</li> <li>▪ Long term working capital</li> <li>▪ Short term working capital</li> <li>▪ Refinance existing business indebtedness which is not already structured with reasonable terms and conditions</li> <li>▪ Acquisition or expansion of an existing business</li> <li>▪ Revolving Lines of Credit</li> </ul>  |
| <b>INELIGIBLE LOAN PURPOSES</b> | <ul style="list-style-type: none"> <li>▪ Relocate jobs or to expand a business where an excess of supply of the goods or services already exists</li> <li>▪ Pay any distribution to an owner or beneficiary who will continue in the business</li> <li>▪ Transfer the ownership of a business unless the transfer is necessary to keep the business from closing</li> <li>▪ Finance agricultural production with the exception of specialized crops</li> <li>▪ Any line of credit or revolving loan</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Refinance existing debt where the lender is in a position to sustain a loss and SBA would take over that loss through refinancing</li> <li>▪ To effect a partial change of business ownership or a change that will not benefit the business</li> <li>▪ Permit the reimbursements of funds owed to any owner.</li> <li>▪ Repay delinquent state or federal withholding taxes or other funds</li> <li>▪ Non sound business purpose</li> <li>▪ Land and building purchase when the borrower <b>will not</b> substantially occupy the building.</li> </ul> |
| <b>TERMS</b>                    | <ul style="list-style-type: none"> <li>▪ 30 years for real estate</li> <li>▪ 15 years or usable life of equipment</li> <li>▪ 7 years for working capital</li> </ul>  | <ul style="list-style-type: none"> <li>▪ 25 years for real estate</li> <li>▪ 25 years for equipment or Useful Life</li> <li>▪ 7 years for working capital (<i>except when a longer maturity (up to 10 years) may be needed to ensure repayment.</i>)</li> </ul>  |
| <b>ELIGIBLE LENDERS</b>         | Federal or State chartered Bank, Farm Credit Bank, or other Farm Credit institutions with direct lending authority. The Agency may grant Certified Lender Program status to qualified lenders.   | <ul style="list-style-type: none"> <li>▪ Currently participate with SBA and meet certain portfolio performance standards.</li> <li>▪ Non-SBA lender that currently makes a reasonable number commercial loans of \$50,000 or less.</li> </ul>  |

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|----------------------------|---|---|
| <b>INTEREST RATE</b>       | Negotiated between the lender and the applicant and may be either fixed or variable as long as it is a legal rate.  | <ul style="list-style-type: none"> <li>▪ Negotiated between the lender and the applicant. Rates are tied to the prime rate (as published in the Wall Street Journal) and may be fixed or variable, but they may not exceed SBA maximums.</li> <li>▪ Lenders may charge up to 6.5 percent over prime rate for loans of \$50,000 or less and up to 4.5 percent over the prime rate for loans over \$50,000</li> </ul>   |
| <b>COLLATERAL</b>          | Documented value sufficient to protect the interest of the lender and the Agency and the discounted collateral value will normally be at least equal to the loan amount.  | <ul style="list-style-type: none"> <li>▪ Lenders are not required to take collateral for loans up to \$25,000. Lenders may use their existing collateral policy for loans over \$25,000 up to \$150,000.</li> <li>▪ For Loans greater than \$150,000, follows SBA's general collateral policy</li> </ul>  |
| <b>TYPES OF ASSISTANCE</b> | <ul style="list-style-type: none"> <li>▪ 80% maximum guarantee on loans up to \$5 million</li> <li>▪ 70% maximum guarantee on loans \$5 - \$10 million</li> <li>▪ 60% maximum guarantee loans greater than \$10 million</li> </ul>  | 50% maximum guarantee   |
| <b>EQUITY</b>              | <p>Tangible balance sheet equity requirement:</p> <ul style="list-style-type: none"> <li>▪ 10% for existing business</li> <li>▪ 20% for startup</li> <li>▪ 25-40% for energy projects</li> </ul> <p>Determined in accordance with Generally Accepted Accounting Principles</p>  | No tangible equity requirement  |
| <b>FEES</b>                | <p><b>Guarantee fee:</b> 2% of the guaranteed portion of the loan payable to USDA Rural Development when the guarantee is issued.</p> <p>-----</p> <p><i>Annual renewal fee based on the outstanding balance of the guaranteed portion of the loan.</i></p> <p><i>Prepayment Penalty negotiated between borrower and lender</i></p> | <p>2% guaranty fee for loans of \$150,000 (<i>lenders to retain 25% of the up-front guarantee fee on loans with a gross amount of 150,000 or less</i>)<br/>3% for loans \$150,000-\$350,000</p> <p>-----</p> <p><i>Annual on-going servicing fee 0.494% of the outstanding balance of the guaranteed portion of the loan</i></p> <p>-----</p> <p><i>Required prepayment penalty of 5,3,1 for loans with terms of 15 years or more</i></p> <p>-----</p> <p><i>Subsidy recoupment fee</i></p> |

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