## **USDA Rural Business Services Term Loan**

up to 30

up to 10-15

varies w/ purpose

varies w/ purpose

up to 10

Definition: This versatile loan program can be used to finance most any business term loan purpose including real estate construction / purchase

improvement, equipment purchase, business acquisition, debt refinance, and working capital. The primary advantages of this program include the ability to: stretch monthly payments out over a longer period of time for improved cashflow, reduce downpayment requirements, accommodate diverse industries and loan purposes, and partially offset a collateral shortfall. We have considerable

experience with USDA Rural Development loans which allows for the most efficient loan approval process possible.

Size of Loan: Up to \$10,000,000 in-state limit

Eligibility:

Max. Amort. in Yrs. Purposes: Purchase, construct, or improve real estate

Purchase new or used equipment, fixtures, or leaseholds

Finance business acquisition or owner buyout

Debt refinance (refi of existing bank loan cannot be > 49% of new loan)

Working capital, inventory, and intangibles, etc.

While most businesses are eligible, a small number of industries and loan purposes will not qualify.

Guaranty %: Up to 80% for loans < = \$5,000,000; up to 70% for loans of \$5,000,001 - \$10,000,000

Fixed or variable interest rates are available and are set by the originating market. USDA loans do not balloon, however, fixed interest Interest Rates:

rates will typically adjust every 3-5 years. Variable rate loans will use Wall Street Journal Prime as their base rate and will adjust no

more frequently than calendar quarterly. There are no maximum interest rates.

The amount of cash equity required will be determined on a loan-by-loan basis, however, to be eligible for a USDA loan, a consolidated Equity:

balance sheet must show at least 10% tangible balance sheet equity on a proforma basis (at least 20% if a new business). Additional

equity may be required per underwriting guidelines.

Collateral: The loan will be secured by a 1st lien position on all assets financed or refinanced with USDA loan proceeds + personal guaranties of

principals owning > 20% of either the operating company or real estate holding entity (if loan purpose is real estate). Guaranties of related businesses, key man life insurance, Lessor's Agreement, etc. may also be required. Additional collateral will likely be required if

discounted collateral coverage is < 100%.

Prepayment penalties are determined by the originating market and are not restricted by USDA. Prepayment:

Fees: USDA typically charges fees on the guaranteed portion equal to 3%. An ongoing servicing fee of 1/4% of the outstanding guaranteed

balance is additionally charged to the Bank. The Bank may also charge for out-of-pocket costs in addition to a Package Preparation Fee.

Other: To apply for a USDA loan, a Pre-application must be submitted by the Bank to USDA for approval. If the business/project appears

feasible, USDA will suggest to the Bank that a Final application be submitted. A minimum 10% tangible consolidated balance sheet

equity is required. Loan proceeds may only be used in eligible areas designated by USDA as rural (typically with populations <50,000 - eligibility maps are available). An additional approval by USDA's national office is required on loan requests that exceed

the originating state's approval authority (\$10,000,000 for MI). Appraisals, environmental studies, title insurance, and flood insurance (if applicable), are required on most real estate collateral. Feasibility studies may be required for new ventures or significant expansion Business and personal financial statements and tax returns are typically required to be submitted to the Bank at least annually. A deposit

relationship with us is also required. Other requirements and conditions may apply.



406 Bay Street, Petoskey Michigan 49770 877.487.1765 www.tbonm.com

THE BANK OF northern michigan