



**The Puerto Rico Chamber of Commerce
Birling Capital, BDO Puerto Rico, LLC and El Nuevo Día present:**



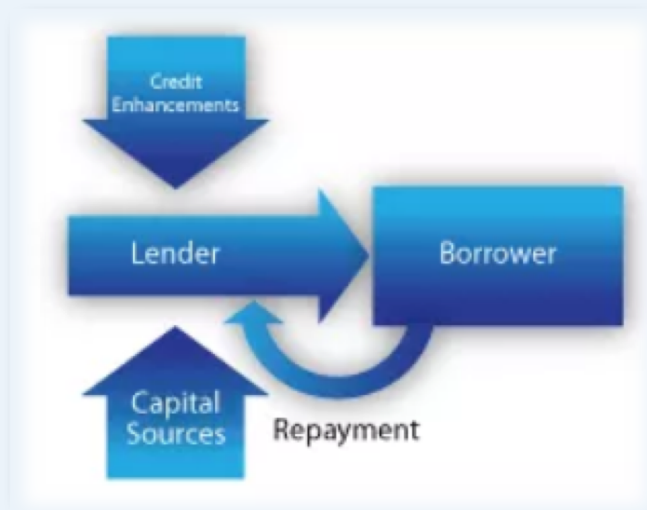
**“Enhancing access to capital through
USDA Loan Guarantees”**

**Mr. Josué E. Rivera
State Director
USDA- Rural Development**

Credit Enhancements

What is a credit enhancements?

Anything that improves the chances that financing will be repaid.



Credit enhancements are useful because they:

- Encourage lenders and investors to put **money** into unfamiliar markets or products
- Can absorb risk of loss and, as a result, be used as a negotiating tool to **convince lenders to reduce interest rates or provide longer loan terms.**
- Can be used as negotiating leverage to convince lenders to relax their underwriting criteria in order to lend to individuals or businesses.

Business & Industry Guaranteed Loan Program

This program bolsters the availability of private credit by guaranteeing loans for rural-based businesses.

Who may apply for this program?

Lenders with the legal authority, sufficient experience and financial strength to operate a successful lending program. This includes:

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

What kind of business qualify for loan guarantees?

- For-profit business
- Nonprofits
- Cooperatives
- Public bodies
- Individuals

Business & Industry Guaranteed Loan Program

How may funds be used?

Eligible uses include but are not limited to:

- ✓ Business conversion, enlargement, repair, modernization, or development
- ✓ Purchase and development of land, easements, rights-of-way, buildings, or facilities
- ✓ Purchase of equipment, leasehold improvements, machinery, supplies, or inventory
- ✓ Debt refinancing when refinancing improves cash flow and creates or saves jobs

Maximum Advance Rates:

Real Estate: 80% of fair market value

Equipment: 70% of fair market value

Inventory: 60% of book value (raw inventory and finished goods only)

Accounts Receivable: 60% of book value (less than 90 days)

Business & Industry Guaranteed Loan Program

What is the maximum amount of a loan guarantee?

- ✓ 80% for loans of \$5 million or less
- ✓ 70% for loans between \$5 and \$10 million
- ✓ 60% for loans exceeding \$10 million, up to \$25 million maximum

What are the loan terms?

- ✓ Maximum term on machinery and equipment is its useful life or 15 years, whichever is less
- ✓ Maximum term for real estate is 30 years
- ✓ Maximum term on working capital not to exceed 7 years
- ✓ Loans must be fully amortized; balloon payments are not permitted
- ✓ Interest-only payments may be scheduled in the first 3 years
- ✓ One-time guarantee fee = 3 percent of the principal loan amount times the percentage of guarantee
- ✓ Annual renewal fee = .5 percent of the outstanding principal as of December 31st times the percentage of guarantee.
- ✓ Interest rates: fixed or variable as negotiated between the lender/ borrower, subject to USDA approval



Rural Energy for America Program

What does this program do?

Provides guaranteed loan financing and grant funding to agricultural producers and rural small businesses to purchase or install renewable energy systems or make energy efficiency improvements.

Who may apply?

Agricultural producers with at least 50% of gross income coming from agricultural operations, and

Small businesses in eligible rural areas.



Applications for Unrestricted Grants or Loan/Unrestricted Grant Combo Applications due by March 31, 2020.

Guaranteed Loans are accepted on a continuous application cycle.

Rural Energy for America Program

How may the funds be used?

Funds may be used for the **purchase, installation, and construction** of renewable energy systems.

What funding is available?

- ✓ Loan guarantees on loans up to 75% of total eligible project costs
- ✓ Grants for up to 25% of total eligible project costs
- ✓ Combined grant and loan guarantee funding up to 75% of total eligible project costs

What are the loan guarantee terms?

- ✓ \$5,000 minimum loan amount and up to \$25 million maximum loan amount
- ✓ Up to 85% loan guarantee
- ✓ Rates and terms negotiated with the lender and subject to USDA approval
- ✓ Maximum term of 30 years for real estate or for combined real estate and equipment
- ✓ Maximum term of 15 years, or useful life, for machinery and equipment
- ✓ Maximum term of 7 years for capital loans

Grant Terms	
Renewable Energy System Grants:	Energy Efficiency Grants:
<ul style="list-style-type: none">• \$2,500 minimum• \$500,000 maximum	<ul style="list-style-type: none">• \$1,500 minimum• \$250,000 maximum

Community Facilities Loan Guarantees

This program provides loan guarantees to eligible private lenders to help build essential community facilities in rural areas.

Who may apply for this program?

Private lenders may apply for a loan guarantee on loans made to an eligible borrower that is unable to obtain the needed commercial credit on reasonable terms without the guarantee.

Eligible borrowers:

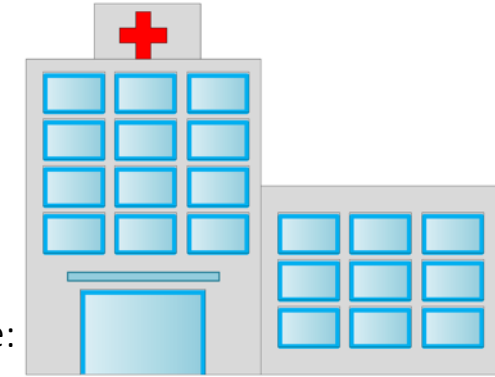
Public bodies

Community-based nonprofit corporations

Federally recognized Tribes

How may funds be used?

Funds can be used to **purchase, construct, and/or improve** essential community facilities, to purchase equipment, and to pay related project expenses.



Examples of essential community facilities include:

- Healthcare facilities such as hospitals, medical clinics, dental clinics, nursing homes, or assisted living facilities
- Public facilities such as town halls, courthouses, airport hangers, or street improvements
- Community support services such as childcare centers, community centers, fairgrounds, or transitional housing
- Public safety services, first responders, public works vehicles, or equipment
- Educational services such as museums, libraries, or private schools
- Utility services such as telemedicine or distance learning equipment
- Local food systems such as community gardens, food pantries, community kitchens, food banks, food hubs, or greenhouses

Community Facilities Loan Guarantees

Community Facilities Loan Guarantees

What are the terms of a loan guarantee?

- ✓ Maximum guarantee = 90 percent of the eligible loss.
- ✓ One-time guarantee fee = 1.5 percent of the principal loan amount times the percentage of guarantee.
- ✓ Annual renewal fee = .5 percent of the outstanding principal as of December 31st times the percentage of guarantee.
- ✓ Repayment term: useful life of the facility, state statute or 40 years, whichever is less and is negotiated between the lender and borrower, subject to USDA approval.
- ✓ Interest rates: fixed or variable as negotiated between the lender/ borrower, subject to USDA approval.

Water & Waste Disposal Loan Guarantees

This program helps private lenders provide affordable financing to qualified borrowers to improve access to clean, reliable water and waste disposal systems for households and businesses in rural areas.

Who may apply?

Private lenders may apply for a loan guarantee on loans they make to eligible borrowers who are otherwise unable to obtain commercial credit on reasonable terms.

Eligible borrowers include:

Most state and local
governmental entities

Nonprofit
organizations

Water & Waste Disposal Loan Guarantees

How may borrowed funds be used?

- ✓ Construct or improve facilities for:
- ✓ Drinking water
- ✓ Sanitary sewers
- ✓ Solid waste disposal
- ✓ Storm water disposal facilities

Depending on the circumstances, some funds may also be used for:

- ✓ Legal and engineering fees
- ✓ Land acquisition and equipment
- ✓ Start-up operations and maintenance
- ✓ Capitalized interest
- ✓ Other costs determined to be necessary for completion of the project

Water & Waste Disposal Loan Guarantees

What are the terms of a loan guarantee?

- ✓ The maximum guarantee is typically 90 percent of the loan amount
- ✓ Interest rates may be fixed or variable as negotiated between the lender and the borrower, subject to USDA approval
- ✓ Up to 40-year payback period, based on the useful life of the facilities financed
- ✓ Balloon payments are prohibited



Single Family Home Loan Guarantees

This program assists approved lenders in providing low- and moderate-income households the opportunity to own adequate, modest, decent, safe, and sanitary dwellings as their **primary residence** in eligible **rural areas**.

Eligible applicants may **build, rehabilitate, improve, or relocate** a dwelling in an eligible rural area. The program provides a 90% loan note guarantee to approved lenders in order to reduce the risk of extending 100% loans to eligible rural homebuyers.



Single Family Home Loan Guarantees

Who may apply for this program?

Applicants must:

- ✓ Meet income-eligibility.
- ✓ Agree to personally occupy the dwelling as their primary residence.
- ✓ Be a U.S. Citizen, U.S. non-citizen national, or Qualified Alien.
- ✓ Have the legal capacity to incur the loan obligation.
- ✓ Have not been suspended or debarred from participation in federal programs.
- ✓ Demonstrate the willingness to meet credit obligations in a timely manner.
- ✓ Purchase a property that meets all program criteria.



OneRD Guaranteed Loan Rule

The USDA Rural Development Innovation Center is working to combine four guaranteed loan programs under a single regulation. This rule will improve agency efficiency in program delivery, customer service and program utilization. The rule will streamline and consolidate regulations for the following programs:

- Community Facilities Guaranteed Loan Program
- Water and Waste Disposal Guaranteed Loan Program
- Business and Industry Loan Guarantee Program
- Rural Energy for America Program



Josué E. Rivera
State Director

USDA Rural Development

Main Address

654 Plaza, Suite 601
Ave. Muñoz Rivera,
San Juan, PR 00918

Public Information Officer

(787) 766-5095

Miguel.Ramirez@usda.gov

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