Texas Community Prosperity Summit
REMINDERS

- All attendees are muted.
- Questions for our presenters may be submitted via the question box.
- However, due to time limitations, we may not be able to answer questions during the presentation. We will follow-up with answers to your questions after the presentation and share with all attendees.
- A recording of this webinar will be available.
- Presentations and supporting documents will be shared with attendees.
- Thank you for joining us today.
Welcome

Gerard D’Souza
Dean and Director
of Land Grant Programs
Opening Remarks

Mike Beatty, Director
USDA Office of Partnerships and Public Engagement (OPPE)

Jacqueline Davis-Slay
Deputy Director, OPPE
Greetings from USDA Agencies
Greetings

Edd Hargett  
State Director  
USDA Rural Development

Eddie Trevino  
Executive Officer  
USDA Farm Service Agency

Clint Evans  
Acting State Conservationist, Texas  
USDA Natural Resources Conservation Service
USDA Rural Development

Business and Cooperative Programs
Business and Industry (B&I) Guaranteed Loan Program
MISSION:

Create and maintain employment and improve the economic and environmental climate in rural communities. Bolster the existing private credit structure through the guarantee of quality loans that will provide lasting community benefits.
Lenders Benefits
- Expand their rural business portfolio
- Serve borrowers who otherwise would be unable to get a loan

- Allow lender to lend beyond its legal limit
- Mitigates collateral & other perceived risk
- Secondary market yield
- Fee income
Who can borrow? Any Legal Entity

- For-profit businesses
- Nonprofits
- Cooperatives
- Federally recognized Tribes
- Public Bodies
- Individuals
Use for funds:

- Development or expansion
- Purchase real estate or buildings
- Equipment, supplies or inventory
- Working capital
- Refinancing
- Acquisitions
Cold Storage Facility
Restaurant, Eagle Pass, Texas
Solar Farm - Marlin, Texas
Ineligible use of funds:

- Charitable Institutions
- Churches or church-controlled organizations
- Fraternal organizations
- Lending and investment institutions
- Insurance companies (agents are acceptable, i.e., machinery and equipment, bldg., etc.)
- Businesses engaged in illegal activity
- Golf Courses
Ineligible use of funds cont.: 

- Housing
- Lines of credit
- Lease payments
- Guarantee of loans made by other Federal agencies
- Distribution or payment to an owner, beneficiary, or a close relative of the owner, when owner will remain an owner
- Federal tax-exempt obligations
- Agriculture Production, with certain exceptions
Eligible Areas:

- Outside of cities
or
- Towns less than 50,000
or
- Urbanized areas near cities over 50,000 may be ineligible
Loan Guarantee Max:

- 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

Applicable Fees:
Initial guarantee fee: 3% of the guaranteed amount

Annual renewal fee 0.5% of outstanding principal

Reasonable, customary fees. Negotiated between borrower and lender.
Loan Limits:

- No minimum loan amount. $10 Million maximum without Administrator exception. Texas approval authority is $10 Million.
- Up to $25 Million to any one borrower (if high priority project). For consideration over $10 Million, must score over 50% of possible points (i.e., at least 80 points)
- Up to $40 Million for rural cooperative organizations

Loan Structure:

- Negotiated by the lender and borrower
- Interest rates can be Fixed, Variable Combination, but cannot adjust more often than quarterly
- Origination fees and prepayment penalties are permitted
- No balloon payments (fully amortized)
Max Loan Terms:

• Maximum term on real estate is 30 years.
• Maximum term on machinery and equipment is for its useful life or 15 years, whichever is less.
• Maximum term on working capital is 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.

Personal Corporate Guarantees:
Unconditional personal and corporate guarantees are required from individuals and entities owning 20% or more interest in the borrower.
- Cumulative loan limit, $50MM
Collateral:

- Must be sound and sufficient to protect interests of the lender and Agency (normally discounted value will be at least equal to the loan amount)
- Must be appropriately discounted
- Cannot secure unguaranteed portion with additional collateral

Discount Rates:

Real Estate: 80 percent of fair market value.
Equipment: 70 percent of fair market value.
Inventory: 60 percent of book value (raw inventory and finished goods only).
Accounts Receivable: 60 percent of book value (less than 90 days).
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
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: 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: 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.
Lenders interested in participating in the B&I program should contact the USDA Rural Development Business Programs Director in the state where the project is located.

Texas State Office
Temple, Texas
(254) 742-9780

Or go to: www.rd.usda.gov
Rural Business Development Grant (RBDG)

- It is a competitive grant program. The purpose of the RBDG program is to make grants to eligible entities located in Rural Areas for use in funding various business opportunity and business enterprise projects that serve Rural Areas.

Who Can Apply:
- Towns.
- Communities.
- State agencies.
- Authorities.
- Nonprofit corporations.
- Institutions of higher education.
- Federally-recognized tribes.
- Rural cooperatives (if organized as a private nonprofit corporation).
• For business *opportunity* type projects, funds can be used to for eligible projects such as identify and analyze business opportunities, identify, train, and provide technical assistance, establish business support centers, conduct local community and multi-county economic development.

• For business *enterprise* type projects, grant funds may be used to finance and or develop small and emerging businesses in rural areas including, but not limited to acquisition and development of land, construction, establishment of a revolving loan fund, technical assistance, etc.
What is an eligible area?

- Rural Business Development Grant money must be used for projects that benefit rural areas or towns outside the urbanized periphery of any city with a population of 50,000 or more. Check eligible areas.

What kind of funding is available?

- Maximum grant amount is not specified; however, smaller requests are given higher priority. There is no cost sharing requirement, but projects that include and applicant contribution or other funding are more competitive.
How do we get started?

• Applications are accepted through USDA Rural Developments local offices. Applicants are advised to view program information to learn about local application timelines, and application requirements.

• Grant awardees will complete required paperwork and comply with the terms and conditions of the award.

• Basic Program 7 CFR Part 4280, Subpart E. This program is authorized by the Consolidated Farm and Rural Development Act (ConAct).
What does this program do?

Provides 1 percent 30 year term loans to local lenders or intermediaries that re-lend to businesses to improve economic conditions and create jobs in rural communities. The purpose of the Intermediary Relending Program is to alleviate poverty and increase economic activity and employment in rural communities. Under this program, loans are provided to local organizations (intermediaries) for the establishment of revolving loan funds. These revolving loan funds are used to help finance business and economic development activity to create or retain jobs in disadvantaged and remote communities.

Who may apply to be an intermediary lender?
• Nonprofits and cooperatives.
• Federally-recognized tribes.
• Public agencies.
RLF is often composed of both Federal IRP funds and other funds. Loans made by an IRP RLF are combined with borrower investments and other financing.
Intermediary Relending Program (IRP)

If the RLF has adequate capitalization and is operating in a prudent manner, it can cover all its operating expenses (administrative costs, loan loss reserves, etc.) and continue providing loans indefinitely.
Intermediary Relending Program (IRP)

The following are eligible to apply for a loan from the intermediary lender as an ultimate recipient:

- Ultimate recipients may be individuals, public or private organizations or other legal entities, given that:
Are there other requirements?

Intermediary lenders must have:

• The legal authority to operate a Revolving Loan Fund (RLF)

• A record of successfully assisting rural businesses and communities, normally including experience making and servicing commercial loans.

• The ability to provide adequate assurance of repayment of the loan.
Intermediary Relending Program (IRP)

What is an eligible area?

• Any area, including a city or town, that has a population of fewer than 50,000 residents.
• Any urbanized areas contiguous and adjacent to a city or town of 50,000 or more residents may not be eligible. The intermediary borrower’s headquarters may be based within a larger city so long as the project service area is located in an eligible rural area.
• The intermediary lender may be located anywhere.
How may funds be used?

• To acquire, construct, convert, enlarge or repair a business or business facility, particularly when jobs will be created or retained.
• To purchase or develop land (easements, rights of way, buildings, facilities, leases, materials).
• To purchase equipment, machinery or supplies, or make leasehold improvements.
• For start-up costs and working capital.
• For pollution control and abatement.
• For transportation services.
• To cover feasibility studies and some fees.
• Towards the building of hotels, motels, convention centers.
• For educational institutions.
• For aquaculture-based rural small business.
• To establish revolving lines of credit as described in 7 CFR Part 4274.314.

• NOTE: ineligible loan purposes are listed in the Code of Federal Regulations 7 CFR Part 4274.319.
Intermediary Relending Program (IRP)

How do we get started?
Please reach out to your state office for additional information and to apply for the Intermediary Relending Program.

Who can answer questions?
You can contact an Intermediary Relending Program lender serving your area.

What law governs this program?
• The Basic Program is governed by the Code of Federal Regulations, 7 CFR Part 4274.
• The Loan Servicing is governed by 7 CFR Part 1951.
• This program was originally authorized by the Food Security Act of 1985, Pub L. 99-198 (1985 Farm Bill).
Financial Tools & Resources to Help Small Business

Follow us on Twitter! @SBA_LRGV

Lower Rio Grande Valley District Office
956-427-8533
361-879-0017
https://www.sba.gov/tx/harlingen
1. Financial relief for Small Businesses and private Non-Profits
   • Economic Injury Disaster Loan (EIDL)
   • Paycheck Protection Program (PPP)

2. Locate Assistance
Economic Injury Disaster Loan

Funded directly by the SBA
Economic Injury Disaster Loan (EIDL)

The Economic Injury Disaster Loan is made up of two parts:

• EIDL Advance (Funding Exhausted)
• EIDL Loan
Economic Injury Disaster Loan Advance

- Funding Exhausted

- Small business owners are eligible to apply for an Economic Injury Disaster Loan **advance of up to $10,000.** ($1,000/employee)

- No expectation to repay the advance, but PPP forgiveness is reduced
Small businesses and private non-profits are eligible

May be used for fixed debts, payroll, accounts payable and operating expenses

3.75% interest rate for small businesses

2.75% for private non-profits

Long-term repayments for COVID crisis can be up to 30 years
Additional EIDL Details

• For Loans $25k and less, no cost to apply
• For Loans greater than $25k, there is a $100 UCC lien filing and processing fee
• Loan amount is determined by SBA from your information
  • Revenue
  • Cost of Goods Sold
• No obligation to take the loan (if offered)
• Existing SBA loans do not block disaster funding
• Collateral:
  • If more than $25,000 EIDL requires collateral
  • SBA will not decline for lack of collateral, but requires the pledge of what is available
  • Does not require primary residence to be collateralized in Texas
Who is Ineligible?

• Any business where gambling is more than 1/3 of annual gross revenue
• Casinos & Racetracks where their purpose for being is gambling
• Businesses of a prurient sexual nature
• Pawn Shops is more than 50% of income derives from interest
• Investment or Lending companies
• Charitable Organizations (private non-profits are OK)
• All Speculative Activities
How to Apply for EIDL

• Website for applying - Economic Injury Disaster Loan
  • [https://covid19relief.sba.gov/#/](https://covid19relief.sba.gov/#/)

• Works on iPhone with Safari/Chrome on Android
• On PC works best with Internet Explorer or Microsoft Edge

• Questions can be directed to:
  • SBA disaster customer service center:
    • 1-800-659-2955
    • e-mail: [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov)
    • TTY: 1-800-877-8339
COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION

STREAMLINED PROCESS REQUIREMENTS

SBA is collecting the requested information in order to make a loan under SBA’s Economic Injury Disaster Loan Program to the qualified entities listed in this application that are impacted by the Coronavirus (COVID-19). The information will be used in determining whether the applicant is eligible for an economic injury loan. If you do not submit all the information requested, your loan cannot be fully processed.

The Applicant understands that the SBA is relying upon the self-certifications contained in this application to verify that the Applicant is an eligible entity to receive the advance, and that the Applicant is providing this self-certification under penalty of perjury pursuant to 28 U.S.C. 1746 for verification purposes.

The estimated time for completing this entire application is two hours and ten minutes, although you may not need to complete all parts. You are not required to respond to this collection of information unless it displays a currently valid OMB approval number.

ELIGIBLE ENTITY VERIFICATION

Choose One:

- Applicant is a business with not more than 500 employees.
- Applicant is an individual who does not have another account as a self-employed individual.
Existing EIDL Applications

• SBA is processing existing EIDL applications on a first come, first-served basis.

• Questions can be directed to:
  • SBA disaster customer service center:
    • 1-800-659-2955
    • e-mail: [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov)
    • TTY: 1-800-877-8339
Example of Email You Will Receive

From: disastercustomerservice@sba.gov
Date:
To:
Subject: SBA Application No. ####### - Submitted Confirmation

Create your SBA Economic Injury Disaster Loan Portal Account

Your SBA Application No. ####### is ready for the next step. Create your SBA Economic Injury Disaster Loan Portal account to provide additional details or requested documents.

Create Account

Questions? We're here to help. Call us at 1-800-659-2955 | TTY/TTD: 1-800-877-8339.
EIDL Denial Appeal Contact Information

If you disagree with SBA’s decision, you may request reconsideration, subject to the availability of funds. You can submit your request to any of the following:

• Mail your request to the address at the top of this letter.
• Fax your request to: 202-481-5931.
• E-mail your request to: pdcrecons@sba.gov.
Paycheck Protection Program

Funded through approved lenders
Paycheck Protection Program

Part of the CARES Act

• The Paycheck Protection Program will provide capital to keep employees on payroll for 24-week covered period.

• The loan can be fully forgiven if the funds are used for payroll costs, mortgage interest, rent, and utilities.
  • Employment and compensation maintained for 24-week covered period
  • at least 60% of the forgiven amount must have been used for payroll
  • Anything not forgiven will remain as a loan
Additional Paycheck Protection Program Info

• PPP availability extended through August 8\textsuperscript{th}
  • Contact your local SBA Field Office if you are struggling to find funding

• PPP Forgiveness guidance was published and distributed to Lenders on July 23\textsuperscript{rd}
  • Lenders will have the ability to start submitting forgiveness applications on August 10\textsuperscript{th}, 2020, subject to extension if any new legislative amendments to the forgiveness process necessitate changes to the system.

• PPP guidance is published here:
  • https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses
Additional Resources for your Small Business
Contact Your Local Office

- [https://www.sba.gov/local-assistance/find/](https://www.sba.gov/local-assistance/find/)
Q&A

Tom Hasenauer and Josh Patton
US Small Business Administration
956-427-8533
361-879-0017
Breakout Instructions
Break