

B & I Loans for Rural Commercial Businesses from Quest

A Terrific Commercial Loan Program if Your Property is Located in a Small Town

The B & I Loan Program is a Federal loan guarantee program that is designed to encourage the commercial financing of rural businesses. The reason why the Federal government is involved is because it wants to create and save rural jobs and improve the economic and environmental climate of rural communities.

Here's what makes a B & I loan different: It is lender-driven and the government only guarantees the loan, rather than lending directly. If a lender is approved for a B & I guarantee of a loan it desires to make, the commercial lender makes the loan and services it and the government guarantees it.

The benefits of the B & I program for businesses is that the borrower gets a higher loan amount because the guarantee strengthens the loan application, allowing the bank to feel comfortable with a smaller equity injection.

B & I loans also offer lower interest rates and longer repayment terms. This greatly assists businesses that may not qualify for conventional commercial real estate financing, which provides the rural business greater stability and leads to greater growth, expansion and rural employment.

Below is a list of the authorized uses of the loan funds. A borrower must be engaged in, or proposing to engage in, a business that will

- (1) Provide employment;
- (2) Improve the economic or environmental climate;
- (3) Promote the conservation, development, and use of water for aquaculture; or
- (4) Reduce reliance on nonrenewable energy resources by encouraging the development and construction of solar energy systems, and other renewable energy resources.

Authorized Loan Purposes:

- (1) Business and industrial acquisitions, construction, conversion, expansion, repair, modernization or development costs.
- (2) Purchase of real estate, equipment, machinery or supplies.
- (3) Start-up costs and working capital.
- (4) Processing and marketing facilities.
- (5) Pollution control and abatement.
- (6) Refinancing for viable projects, under certain conditions.
- (7) Purchase of start-up cooperative stock for family sized farms where commodities are produced to be processed by the cooperative.

Typical Amount of Assistance:

\$300,000 - \$10 million; percent of guarantee depends on loan size, but can be as much as 90%.

Rates & Terms (rates subject to change):

Negotiated between with lender. Fixed or variable rates, typically near

Typically between prime rate and prime rate + 2.75% (no balloons).

Points and Fees: Typically 2 points maximum to broker + 1 point to lender, \$1,000 underwriting fee + actual third-party expenses

Bottom line, the B & I Loan program is a *terrific* program if the commercial property is located in a town of less than 50,000 residents. (A great many small motels in rural areas are financed using the B & I loan program.)

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