



## **USDA Business & Industry Loan Guarantee Origination Process & Documentation**

### **Process for Loan Origination**

1. Engagement with Westar Trade Resources to package and place the loan.
2. Develop package for the bank and for USDA.
3. Present the package to the bank for a Credit Review.
4. Conditional Commitment Letter between Bank and Borrower upon credit approval.
5. Completed loan package sent to the USDA office for approval of guarantee.
6. Conditional commitment letter received from the USDA for guarantee.
7. Complete the closing documents and fund the loan.

### **Needed for USDA loan package and credit review:**

1. Commercial Loan Application
2. USDA Loan Application
3. 3 years of historical financial statements (GAAP preferred)
4. List of collateral and estimate of value if no current appraisal available
5. Personal financial statements of company principals.
6. Resumes for principals- anyone owning 20% or more of the company.
7. Sources and Uses Statement for the Use of Funds
8. 3 years of Corporate Tax returns

### **Other items needed for the USDA Loan Package**

1. Borrower to provide:

An independent business level feasibility study completed by a qualified consultant is required on B&I loans as follows:

- Startup business
- Existing business entering a new market area business acquisition existing business where loan will result in significant expansion of operation businesses with historic losses



An acceptable feasibility study will address the following:

- Economic feasibility
- Market feasibility
- Technical feasibility
- Financial feasibility
- Management feasibility

The feasibility study should reach a conclusion as to the overall potential success of the business.

2. Dunn & Bradstreet # (can be obtained at [www.dnb.com](http://www.dnb.com))
3. Company Business Plan (*Business Plan includes, at a minimum, a description of the business and project, management experience, products and services, proposed use of funds, availability of labor, raw materials and supplies, and the names of any corporate parent, affiliates, and subsidiaries with a description of the relationship.*)
4. Current Balance Sheet (less than 90 days old)
5. Financial Statements (GAAP) for existing business – past three years
6. Aging of Accounts Receivable and Accounts Payable
7. Guarantor's Financial Statements
8. Credit Report for each principal (owns more than 20%)
9. Certified Real Estate Appraisal
10. Environmental Phase I (or Phase II, depending on situation)
11. Valuation of Inventory (situation may require certification by outside appraiser).

**Lender to Provide:**

1. Lender's complete written analysis
2. Lender's proposed Loan Agreement
3. Lender's certification

**Loan Packager to develop with assistance of borrower and provide:**

1. Environmental File (Not environmental as we know it. Historical Commission, intergovernmental consultation, etc.)
2. Proforma Financial Statements
3. Full submission developed from listed items provided by both borrower and lender



**Lender works concurrently with USDA to:**

1. Lender's telephone inquiry to USDA (optional, but recommended)
2. Lender submits pre-application if loan is over \$10 million (see Exhibit A-1 of processing guide)
3. Field visit/pre-application conference (*normally within 2 weeks*)
4. USDA invites complete application
5. Feasibility study waiver considered
6. Level of environmental review considered
7. Lender submits complete application (see Exhibit A-2 of processing guide)
8. USDA credit and environmental analysis (as information is received)
9. USDA Loan Committee Reviews Application
  - USDA State Loan Committee approval on loans up to the state limit (\$5-10 million).
  - If over the state limit, approval decision must be made by Washington, D.C.
  - *Approval decisions are typically issued within 30 days of receiving a complete application, unless the project involves extensive environmental analysis or exceeds State approval authority*
10. Once USDA allocates guaranteed funds, USDA issues Conditional Commitment (*Lender may advance interim funding if they wish.*)
11. Lender and borrower accept Conditional Commitment
12. Lender meets conditions; closes loan; Lender pays fee, requests guarantee
13. Development work is completed, though this need not precede the guarantee if the lender certifies that the development will be completed in accordance with plans and specifications.)
14. USDA verifies conditions are met
15. USDA issues Loan Note Guarantee

**At closing:**

Required documents could include:

1. Loan Agreement
2. Environmental Check List/Indemnification Agreement
3. Copies of documents evidencing compliance with zoning and deed restrictions
4. Promissory Note (real estate lien note);
5. Deed of Trust signed by record owner of property;
6. Security Agreement and Financing Statement (UCC-1) for fixtures or equipment which may be part of the loan;



7. Landlord's or Mortgagee's Waiver (if applicable);
8. Plat or survey;
9. Title policy (a title search by an attorney or attorney's opinion may be used on loans of less than \$25,000.00);
10. Flood Hazard Verification, and flood insurance when required;
11. Property insurance (fire, tornado and other casualties) on improvements with a loss payable to Bank as mortgagee;
12. All required documents from a corporation, partnership or sole proprietorship;
13. Certified resolutions authorizing the consummation of the loan and execution and delivery of loan and collateral documents;
14. Guarantees executed by borrower(s).
15. Appropriate resolutions of corporate guarantors;
16. Disclaimer of Oral Agreements Form (if in excess of \$50,000);
17. Settlement Statement at closing.

### **Costs and Fees**

The following costs or fees will be paid by the borrower, but not by the Bank:

1. Westar loan packaging fee;
2. Appraisal fee;
3. An bank origination fee of one percent (1%) to two percent (2%) of the amount of the loan;
4. Title insurance policy;
5. Filing or recording fees;
6. Legal fees;
7. Inspection fees;
8. Any other unusual or extraordinary costs incurred by the Bank which may legally be charged to the borrower, including a reappraisal if necessary.
  - a. 3% Guarantee Fee to USDA (.5% each year thereafter)
  - b. Retainer and Fees as per our contract to loan packager for USDA application

***Any of these lists are subject to change as awareness develops by lender of borrower's specific circumstances.***