



A New Source
of Government-backed
Financing For U.S. Food
Supply Chain Businesses

**USDA FOOD SUPPLY CHAIN
GUARANTEED LOAN PROGRAM**

/ Overview

The United States Department of Agriculture (USDA) recently unveiled a new loan program for loans that are guaranteed by the USDA. These US government-backed loans should encourage participating lenders to lend more funds – under more competitive loan terms – to companies in the US food industry.

Adopted as part of the USDA's Build Back Better initiative, the [Food Supply Chain Guaranteed Loan Program](#) guarantees loans of up to \$40 million for qualified lenders. These loans are meant to finance food systems projects, specifically for the start-up or expansion of activities in the middle of the food supply chain. Additionally, the program will support new investments in infrastructure for food aggregation, processing, manufacturing, storage, transportation, wholesaling, and distribution. This will help to increase capacity and create a more resilient, diverse, and secure U.S. food supply chain. Any qualifying business could receive up to \$40 million in funding with certain government fees waived and a 40-year term. There may be other incentives depending on the type of business.

WHO CAN BORROW?

To qualify for the program, a business must be either (1) a for-profit, (2) a non-profit, (3) a cooperative, (4) a federally recognized tribe, (5) a public body, or (6) a food supply chain entrepreneur. Likewise, the business and borrower must be engaged in the food supply chain business, the aggregation, processing, manufacturing, storing, transporting, wholesaling, or distribution of the food. Both rural and urban businesses are eligible to borrow.

USE OF FUNDS?

A borrower can use Guaranteed Loan Program funds for:

- / Business Expansion
- / Purchase and Development of Land and Buildings
- / Building or Equipping Facilities for Lease to Public or Private Enterprises Engaged in Commercial or Industrial Operations
- / Purchasing New Machinery
- / Working Capital





There are certain limitations on the use of the funds. For instance, funds cannot be used for lines of credit, agriculture production, owner-occupied and rental housing, lending, or by investment and insurance companies. To learn more, please reach out to a preferred lender, or contact Foster Garvey for more information.

WHO CAN LEND?

Eligible lenders include banks, credit unions, loan funds, Community Development Financial Institutions (CDFIs), farm credit institutions, and others. Lenders must be approved through the USDA's OneRD Guarantee Loan Initiative.

HOW TO START?

If a borrower would like to participate, it should talk to its preferred lender to learn if it can be approved through the USDA's OneRD Guarantee Loan Initiative. If not, it may want to encourage the bank to participate. Otherwise, the borrower should contact their state office for assistance with identifying a participating lender.

If a lender would like to participate, it must be approved by the USDA Rural Development agency, using criteria from the OneRD Guaranteed Loan Initiative (<https://go.usa.gov/xe8QV>). The lender should review the Notice of Funding Opportunity for the Food Supply Chain Guaranteed Loan Program for eligibility, origination, and application provisions. Required preliminary steps are necessary before completing forms, such as (a) obtaining e-Authentication credentials, and (b) registering at www.SAM.gov.

WHAT ARE THE BENEFITS?

The USDA will guarantee 90% of a fixed-rate loan, and 80% of a variable-rate loan. The key benefit is that lenders that receive federal loan guarantees face reduced risks, and therefore can typically offer more competitive interest rates and terms. From a borrower's perspective, closing and making payments on a guaranteed loan is unlikely to feel different from any other loan. Borrowers and lenders should determine whether a USDA-guaranteed loan best fits their financing needs.

Customary loan terms and requirements will still apply. For example, borrowers must present collateral that has documented value sufficient to protect the interest of the lender and Rural Development.

WHAT ARE THE INTEREST RATES AND THE COSTS?

Interest rates are negotiated between the lender and the borrower. Rates can be fixed or variable, but lenders that provide a fixed interest rate will receive a 90% loan guarantee, and all other loans are guaranteed at 80%. Variable interest rates must be tied to a base rate published in a national or regional financial publication, agreed to by the lender and Rural Development. Different interest rates on the guaranteed and unguaranteed portions are permissible.

The USDA will not charge lenders any guarantee fees or annual fees. Reasonable and customary fees for loan origination are negotiated between the borrower and lender.

/ More Information:

- / Please contact your preferred lender or an attorney at Foster Garvey.
- / Lenders can find additional information regarding underwriting and loan terms at <https://www.rd.usda.gov/foodsupplychainloans>
- / Borrowers can find FAQ additional information at <https://www.rd.usda.gov/food-supply-chain-guaranteed-loans/frequently-asked-questions>
- / Who at USDA can answer questions? Email rdfoodsupplychainloans@usda.gov



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