

**DEPARTMENT OF SOCIAL SERVICES**

744 P Street, Sacramento, California 95814



November 2, 1999

ALL COUNTY INFORMATION NOTICE NO. I-77-99

TO: ALL COUNTY WELFARE DIRECTORS  
ALL COUNTY CalWORKs CHILD  
CARE COORDINATORS

**REASON FOR THIS TRANSMITTAL**

- State Law Change  
 Federal Law or Regulation  
Change  
 Court Order  
 Clarification Requested by  
One or More Counties  
 Initiated by CDSS

SUBJECT: UNITED STATES DEPARTMENT OF AGRICULTURE  
LOAN INFORMATION FOR LICENSED CHILD CARE PROVIDERS

In the interest of providing information to facilitate child care capacity building, the California Department of Social Services (CDSS) is providing each county with the attached packet of information received from the United States Department of Agriculture (USDA) regarding rural business development resources. This packet contains valuable information which could be used by many licensed child care providers in rural and urban communities to establish, improve or expand their businesses.

The information includes a variety of resources to contact for business counseling and technical assistance. There is also a description of different types of financial assistance, from grants to loans, including governmental loan programs. There are exhibits that list the following types of resources in California:

- Small Business Development Centers
- Service Corps Of Retired Executives (SCORE) Chapters
- Small Business Institutes
- Minority Business Development Centers
- Other Sources of Technical Assistance
- Venture Capital Networks
- Small Business Administration District Offices
- California Financial Development Corporations
- Intermediary Relending Program Lenders
- Certified Development Corporations
- Local Development Corporations and other sources
- USDA Rural Development Offices in California, and
- Internet Resources

Page two

The last pages of the packet describe in more detail the Rural Development Community Facilities loans available, the Child Care Facilities Lending Program, and the Business & Industry Loan Programs.

CDSS recommends this packet be duplicated by the counties and shared with all Local Planning Councils, Proposition 10 Commissions and any other child care interest group that would utilize this information. If you would like more information regarding available resources, please check the section of the packet titled "Financing Your Business" for the appropriate contact, or Jeff Deiss at the Davis USDA Rural Development State Office at (530) 792-5826.

Sincerely,

***Original Signed by  
Jo Weber***

JO WEBER, Chief  
Work Services and Demonstration Projects Branch

Attachment

C: Alternative Payment Programs  
Resource and Referral Agencies



## FINANCING YOUR BUSINESS

This resource guide was developed by USDA Rural Development for existing and prospective rural business people to identify and explain the many government programs available in California to help plan, develop, and finance a business. *(USDA Rural Development is an agency of the U.S. Department of Agriculture. Our mission is to build cooperative financial partnerships which advance the economic vitality of rural America. For more information on USDA Rural Development, see Exhibit L.)*

### Step One: TECHNICAL ASSISTANCE

The first step in securing financing for your business is not filing a loan application. Instead, the business owner needs to develop and refine a business strategy. Nothing improves one's chance of securing financing like a thorough business plan with informed financial projections. Generally, the best place to start in your search for financing is with "technical assistance" (i.e., business counseling). Existing or prospective business owners can get help with their business planning and financial management from a number of organizations. Technical assistance providers are very familiar with their local business community, and they offer invaluable expertise and impartial advice. Furthermore, these consultants are in routine contact with the local lending community, so they can often provide helpful referrals. Generally, their advice is free. There are many technical assistance organizations. Each community is unique in what is available.

#### Small Business Development Centers (SBDC's)

The State of California has established SBDC's throughout the state. These centers provide advice to small businesses on marketing, growth, and planning issues, as well as guidance on seeking financing. See Exhibit A for a list, or call the California Small Business Help Line (1-800-303-6600).

#### Service Corps of Retired Executives (SCORE)

SCORE is a volunteer business counseling program sponsored by the U.S. Small Business Administration (SBA). Active and retired business executives provide workshops and one-on-one management advice on all aspects of business operations. See Exhibit B for a partial listing.

#### Small Business Institutes (SBI's)

SBI's provide small business owners with free, intensive management counseling from qualified college-level business students working under expert faculty guidance. See Exhibit C for a list.

#### Minority Business Development Centers (MBDC's)

MBDC's are funded by the U.S. Minority Business Development Agency. They assist minority-owned firms with business start-ups, expansion, and operational issues. See Exhibit D for a list of centers.

#### Community Colleges

Many of California's community colleges offer courses and programs for businesses & entrepreneurs.

#### Local Chamber of Commerce

Often the best way to find local help is to contact your nearest chamber of commerce for a referral.

#### Other Sources of Technical Assistance

Many organizations provide advice and information for specific business sectors. See Exhibit E for a partial list.

## Step Two: FINANCIAL ASSISTANCE

"If you would know the Value of Money, go and try to borrow some."  
-- Benjamin Franklin, *The Way to Wealth* (1757)

Once your business plan has been refined through technical assistance, you are ready to seek financing.

### **GRANTS**

There are virtually no federal or state grant programs for private, for-profit businesses. Realistically, grants are not an option.

### **SELF-FINANCING**

Lenders will want to see that you have money of your own invested in your project (i.e., equity). Many new business owners end up drawing on savings, personal loans, or other "bootstrap" financing sources. (Be careful! Get technical assistance before going into debt!)

### **VENTURE CAPITAL**

Usually, the cheapest source of financing is venture capital (i.e., finding investors or partners who are willing to contribute money to your business). Relatives, friends, and business associates are often the main source of venture capital, though commercial sources of venture capital also exist. You may wish to contact SBA about Small Business Investment Companies (SBIC's) and Minority Enterprise SBIC's (MESBIC's) active in your area. See Exhibit G. In addition to these, there are several venture capital networks that seek to connect investors with entrepreneurs. See Exhibit F.

#### Alternative Agricultural Research Corporation (AARC)

AARC is part of the U.S. Department of Agriculture. AARC invests in companies that are seeking to commercialize new nonfood/nonfeed products from agricultural and forestry materials and animal by-products. For more information, call AARC at (202) 690-1633.

### **COMMERCIAL LOANS**

Commercial banks are the primary source of business financing. The bank with which you have an established banking relationship is the logical place to start your search for a business loan. (But be sure you are prepared before you approach your banker! See the "Technical Assistance" section above.) Lenders make their money by charging businesses for the privilege of using their deposits. Lenders are conservative because they want to assure that their loans will be repaid with a minimum of time and cost to themselves. This natural conservatism is reinforced by internal and external auditors who monitor their lending decisions. The things that lenders look for in evaluating a loan application are a conservative business plan, a significant equity contribution, realistic repayment ability, good credit history, and ample collateral to fall back on, just in case.

## GUARANTEED COMMERCIAL LOANS

Even a strong business may find banks reluctant to lend to them without certain incentives. Various federal and state programs have been created to encourage lenders to provide financing to businesses, usually by providing a "guarantee" on the bank's loan.

The guarantee protects the bank against loss, and this helps the bank to justify the loan to its examiners. Often, the guarantee gives the lender other benefits as well, such as the ability to make larger loans, or to increase their profits by selling the guarantee on a secondary market.

Guaranteed programs are "lender-driven," i.e. it is up to the lender, not the business, to seek the guarantee. However, you may want to ask your lender to consider a guaranteed program. Here are the main programs that lenders should be aware of:

### SBA 7(a) Guaranty Program

**Small Business Administration (SBA)** can provide 75-90% guarantees for all types of business needs -- real estate, equipment, and working capital. Generally, SBA guaranteed loans range from \$20,000 to \$1 million. (For loans of \$150,000 or less, SBA has a streamlined program called "LowDoc.") See Exhibit G for a list of SBA offices. They can provide you with a list of banks that participate in the SBA program.

### Business & Industry (B&I) Guaranteed Loan Program

Operated by **USDA Rural Development**, the B&I program picks up where the SBA 7(a) program leaves off, providing 70-80% guarantees on loans of up to \$10 million. B&I guarantees are only available to businesses in rural areas (i.e., outside cities of 50,000+). This program is administered statewide out of the USDA State Office, 430 G St., Dept. 4169, Davis, CA 95616-4169; (530) 792-5800.

### California Financial Development Corporations (CFDC's)

Also known as Regional Development Corporations (RDC's), nonprofit CFDC's are funded by the State of California and located throughout the state. They can provide banks with 80-90% guarantees on loans of up to \$350,000. Revolving lines of credit and loans with terms of up to 7 years can be guaranteed. See Exhibit H for a list of CFDC's.

### California Capital Access Program (CalCAP)

Loans of \$20,000 to \$2.5 million can be approved using this state-sponsored program. CalCAP gives banks a way to approve loans that do not meet standard lending criteria. Fees & interest rate are higher, but collateral standards are more liberal, and processing times are speedy. To find participating banks, call CalCAP at (916) 654-5610.

### Micro Loan Guarantee Program

California Capital SBDC administers a special guaranteed loan program targeted to women, minorities, persons with disabilities, enterprise zones, etc. It can provide 100% guarantees on loans up to \$25,000. For information, contact California Capital at (916) 442-1729.

## LOANS FROM NON-COMMERCIAL SOURCES

When a commercial lender is unwilling to make a loan, even with a guarantee, it may still be possible to get a direct loan from one of several public sources. However, because direct loan programs are more costly to operate than guaranteed programs, these programs for direct loans tend to be very limited in scope. Frequently, the programs can only be used as "gap financing," i.e., it must be used in association with a commercial loan.

### Intermediary Relending Program (IRP)

**USDA Rural Development** loans funds to nonprofits and public bodies, who in turn re-lend the money to small businesses ("ultimate recipients") that are unable to get credit elsewhere. IRP funds cannot finance more than 75% of the project's cost, and typically IRP loans to ultimate recipients are less than \$150,000. The ultimate recipient must be in a rural area (i.e., outside cities of 25,000+). See Exhibit I for a list of IRP lenders.

### Certified Development Corporations (CDC) -- SBA 504 Program

CDC's, established by the **Small Business Administration**, are able to provide gap financing on real estate and some heavy equipment projects. The applicant puts up 10-20% of the cost; a commercial bank generally lends 50%; and the CDC finances the rest. The CDC can lend up to \$750,000 at a fixed interest rate on a 10-20 year term. Prepayment penalties are common. See Exhibit J for a list of CDC's.

### Small Business Development Corporations, Economic Development Corporations, and Locally-Run Loan Programs

These types of development organizations are generally nonprofits, authorized or funded by a variety of federal (Economic Development Administration, Forest Service, USDA, and HUD), state (the Community Development Block Grant Program and the Trade & Commerce Agency), and local agencies. Occasionally, a community may run its own lending program. Often called a "revolving loan fund" (RLF), such programs provide a variety of direct financing programs for small business. Exhibit K has a partial listing of these lenders. Your local SBDC (see Exhibit A) or Chamber of Commerce may know of others.

## Special State Loan Programs

**SSED (Sudden & Severe Economic Dislocation)** is a **California Trade & Commerce Agency** program to provide gap financing on real estate, equipment, and working capital. Low interest loans of \$25,000-\$500,000 are available on 7-20 year terms. To qualify, the business must be in an area determined to have been seriously impacted by base or plant closures, or a Presidentially-declared disaster. For information, call (916) 324-1299.

**Old Growth Diversification Revolving Loan Fund** is a **California Trade & Commerce Agency** program providing \$25,000-100,000 loans, at a fixed 8% interest rate, to finance real estate, equipment, working capital, or lines of credit. A minimum of 20% of the project cost must come from either equity or non-federal funding sources. This program is only available in California's nine Pacific Northwest counties. For information call (916) 323-0494.

The **California Energy Commission** has several programs for financing new energy technologies and energy conservation projects. For more information, call (916) 654-4701.

## Special State Loan Programs (continued)

The **California Integrated Waste Management Board** operates the Recycling Market Development Zone (RMDZ) Loan Program, offering low, fixed interest rate loans of up to \$1 million to businesses located inside RMDZ's. (There are 40 RMDZ's in the state.) Funds can be used for up to 50% of a project's cost -- for equipment, working capital, land, & refinancing. For more information, call (916) 255-2295.

The Fishing Fleet Loan Program operated by the **California Energy Extension Services** provides low interest, 5-year loans up to \$25,000 for improving fuel efficiency in commercial fishing vessels. For more information, call (916) 323-0777.

The Child Care & Development Facilities Loan Guaranty & Direct Loan Program is administered by the **Department of Housing & Community Development** to support the purchase and improvement of child care centers. For more information, call (916) 327-2130.

## Special Federal Loan Programs

Native American Loan Guaranty Program is operated by the **Bureau of Indian Affairs (BIA)** and can provide up to 90% guarantees on business loans up to \$500,000. For a business to be eligible, (1) members of federally-recognized tribes must own at least 51% of the business, and (2) the businesses must be located in a county where there is a reservation or rancheria. For more information, contact BIA at (916) 979-2568 x228.

Defense Loan & Technical Assistance (DELTA) is a specially funded guaranteed loan program operated by the **SBA** using its 7(a) and 504 program guidelines (discussed above). This program is specifically for businesses affected by defense cutbacks. For more information, contact SBA (Exhibit G).

Farm Operating and Farm Ownership Loans are available to family size farm operators from the **USDA Farm Service Agency (FSA)**. Direct loans up to \$200,000, and guaranteed loans up to \$400,000 (operating) and \$300,000 (real estate), are available. For information, call (530) 792-5521.

Fisheries Obligation Guarantee Program is operated by the **National Marine Fisheries Service**. They make loans to commercial fish harvesting & processing businesses and to aquaculture operations. For more information, call (206) 526-6122.

Armament Retooling & Manufacturing Support (ARMS) program is a special guaranteed program operated by **USDA Rural Development** for the **US Army**, to encourage businesses to lease industrial space available at the Riverbank Army Ammunition Plant in Stanislaus County. For more information, contact the Riverbank Plant at (209) 529-8100.

Facilities Loan Guarantee Program. The **Bureau of Primary Health Care** can provide up to 80% guarantees on loans to develop new or to improve existing Section 330 health centers. For more information, call (206) 615-2264.

## **Other Special Loan Programs from Non-Governmental Lenders**

Industrial Development Bonds (IDB's). Large business projects with substantial economic development benefits for a community may qualify for long-term, fixed rate, low interest financing. IDB's are only for real estate acquisition and development projects in the \$1 million-\$10 million range, and for manufacturing equipment purchases in the \$250,000 to \$10 million range. IDB financing derives from the sale of tax-exempt bonds approved by the **California Industrial Development Financing Advisory Commission (CIDFAC)**. IDB's are available through **California Statewide Communities Development Authority ("California Communities")**. For more information, call 1-800-635-3993. (In the East Bay, call (510) 272-3871.)

Farm Loan Program. Two state-chartered development corporations -- **California Coastal Rural DC** and **Valley Small Business DC** -- can make direct loans of up to \$350,000 to farm operators. See Exhibit H.

Child Care Facility Lending Program. **Rural Community Assistance Corporation (RCAC)** provides low interest, interim loans of up to \$250,000 for the acquisition and improvement of child care facilities. For more information, call (916) 447-2854.

## **Export-Oriented Loan Programs**

Export-Import Bank (EXIMBANK) and Overseas Private Investment Corporation (OPIC) provide direct and guaranteed financing for U.S. exporters. Call EXIMBANK at 1-800-565-3946 and OPIC at 202-336-8799.

Facility Guarantee Program (FSG), General Sales Manager (GSM), Supplier Credit Guarantee Program (SCGP), and Market Access Program (MAP) are some of the programs offered by **USDA Foreign Agricultural Service** to support businesses involved in exporting farm commodities and related products. Call FAS at 202-720-1537 and 202-720-3224 and (202) 720-4327 (for MAP).

California Export Finance Office (CEFO) is a State agency that helps exporters finance export sales by guaranteeing working capital loans up to \$750,000. For information, call (714) 562-5519.

## **Environmental Cleanup Programs**

RUST (Removal of Underground Storage Tanks) is a **California Trade & Commerce Agency** program providing low-interest loans of \$10,000-\$350,000, to remove and replace underground storage tanks. For more information, call (916) 323-9879.

Hazardous Waste Reduction Direct Loans is a **California Trade & Commerce Agency** program providing low-interest loans of \$20,000-\$150,000, to reduce hazardous waste generation and to clean up hazardous waste contamination. For more information, call (916) 445-6733.

Underground Storage Tank Cleanup Fund is a **California State Water Resource Control Board** program providing financial assistance (including some grant funds) to clean up contamination caused by leaks from underground tanks. For more information, call (800) 813-3863 or (916) 227-4307.

<b>Exhibit A: Small Business Development Centers (SBDC's)</b>
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Accelerate Technology SBDC (714) 509-2990 <i>Technology Assistance</i>	Greater Sacramento SBDC (916) 563-3210 <i>Sacramento, El Dorado, &amp; Yolo counties</i>	San Francisco SBDC (415) 561-1890 <i>San Francisco &amp; San Mateo</i>
Export Assistance SBDC (310) 606-0166 or (805) 644-6191	Greater San Diego SBDC (619) 453-9388 <i>northern San Diego County</i>	San Joaquin Delta SBDC <i>Alpine</i> (530) 694-2475 <i>Amador</i> (209) 223-0351 <i>Calaveras</i> (209) 223-0351 <i>San Joaquin</i> (209) 943-5089
Butte College SBDC (530) 895-9017 <i>Butte, Glenn, &amp; Tehama</i>	High Desert SBDC (760) 951-1592 <i>San Bernardino County</i>	Sierra College SBDC (916) 885-5488 <i>Placer, Nevada, Sierra, Plumas, Lassen, &amp; Modoc</i>
Cascade SBDC (530) 225-2770 <i>Shasta, Siskiyou, &amp; Trinity</i>	Imperial Valley SBDC (760) 312-9800 <i>Imperial County</i>	Silicon Valley SBDC (408) 736-0680 <i>southern San Mateo &amp; northern Santa Clara</i>
Central California SBDC (559) 275-1223 <i>Fresno &amp; Madera counties</i>	Inland Empire SBDC (909) 781-2345 <i>Riverside County</i>	Solano County SBDC (707) 864-3382 <i>Solano County</i>
Central Coast SBDC (408) 479-6136 <i>Santa Cruz &amp; east Monterey</i>	Los Angeles Area SBDC's: <i>Antelope Valley</i> (805) 945-2741 <i>North LA</i> (818) 907-9922 <i>Pasadena</i> (818) 552-3254 <i>Eastern LA</i> (909) 629-2247 <i>S. Central LA</i> (213) 846-1710 <i>Southwest LA</i> (310) 787-6466 <i>Westside</i> (310) 398-8883	Southwestern College SBDC (619) 482-6391 <i>Southern San Diego County</i>
Coachella Valley SBDC (760) 864-1311	Napa County SBDC (707) 253-3210	Valley Sierra SBDC <i>Merced</i> (209) 725-3800 <i>Stanislaus, Tuolumne, &amp; Mariposa</i> (209) 521-6177
Colusa SBDC (530) 458-5881	North Coast SBDC <i>Del Norte</i> (707) 464-2168 <i>Humboldt</i> (707) 445-9720	Visalia SBDC (559) 625-3051 <i>Kings &amp; Tulare counties</i>
Contra Costa SBDC (510) 646-5377	Orange County SBDC (714) 647-1172 <i>Orange County</i>	Yuba College SBDC <i>Yuba &amp; Sutter</i> (530) 749-0153 <i>Lake</i> (707) 263-0330
East Bay SBDC (510) 893-4114 <i>Alameda County</i>	Redwood Empire SBDC <i>Sonoma&amp;Marin</i> (707) 524-1770 <i>Mendocino</i> (707) 468-3553	Weill Institute SBDC (805) 322-5881 <i>Inyo, Kern, Mono, &amp; San Luis Obispo counties</i>
Gavilan College SBDC (408) 847-0373 <i>south Santa Clara, San Benito, west Monterey</i>		
Gold Coast SBDC (805) 658-2688 <i>Ventura &amp; Santa Barbara</i>		

<b>Exhibit B: SCORE Chapters</b>
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Amador/Calaveras (209) 754-3650	Oakland (510) 273-6611	San Jose (408) 288-8479
Bakersfield (805) 327-4421	Ojai (805) 646-8126	San Luis Obispo (805) 547-0779
Chino (714) 627-6177	Oxnard (805) 485-5255	Santa Ana (714) 550-7369
Chico (530) 342-8932	Orange County (714) 550-7369	Santa Barbara (805) 563-0084
Fresno (559) 487-5605 ext. 726	Palm Springs (760) 320-6682	Santa Clara (408) 288-8479
Glendale (818) 552-3206	Palmdale (805) 273-3232	Santa Cruz (408) 423-1111
Hanford (559) 582-0483	Pomona (909) 622-1256	Santa Maria (805) 347-7755
Hemet (909) 652-4390	Redding (530) 225-2770	Santa Rosa (707) 571-8342
Inland Empire (Riverside & San Bernardino counties) (909) 386-8278	Ridgecrest (760) 375-8331	Sonora (209) 532-4212
Kerman (559) 846-5331	Sacramento (916) 361-2322	Stockton (209) 946-6293
Los Angeles (818) 552-3206	Salinas (408) 424-7611	Ventura (805) 658-0484
Merced (209) 725-3800	San Bernardino (909) 386-8278	Visalia (559) 627-0766
Modesto (209) 521-9333	San Diego & Imperial counties (619) 557-7272	Watsonville (408) 724-3849
Monterey (408) 649-1770	San Francisco (415) 744-6827	Yreka (530) 842-1649
Oakhurst (209) 683-0920		

<b>Exhibit C: Small Business Institutes</b>
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San Francisco State (415) 338-2397	San Jose State (408) 924-3400	Humboldt State (707) 826-4762
CSU Hayward (510) 881-3557	Sonoma State (707) 664-2220	CSU Chico (530) 278-7278

<b>Exhibit D: Minority Business Development Centers (MBDC)</b>
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Los Angeles District Office (626) 453-8636	Ventura County MBDC (805) 382-5207	California Native American BDC (626) 442-3701
<i>South Los Angeles MBDC</i> (310) 419-8745	San Francisco MBDC (415) 439-6980	MBDA Regional Office (415) 744-3001
<i>West Los Angeles MBDC</i> (818) 394-3111	San Jose MBDC (408) 271-0400	

<b>Exhibit E: Other Sources of Technical Assistance</b>
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Business Information Center (213) 251-7253 <i>Los Angeles area</i>	Emerging Technologies Institute (916) 498-1423 <i>Sacramento area high tech businesses</i>
California American Women's EDC (CAWED) (310) 983-3747 <i>Women-owned businesses</i>	Los Angeles EDC (213) 622-4300
California Manufacturing Center (800) 300-2682 <i>Los Angeles area manufacturers</i>	Operation HOPE, Inc. (213) 251-7253 <i>Los Angeles area</i>
California State Office of Export Development (563) 590-5965	Regional Environmental Business Resource & Assistance Center <i>Northern California</i> (408) 748-2179 <i>Southern California</i> (714) 563-9558
Center for Economic Development, Chico (530) 898-4598 <i>Northern California exporters</i>	SBA Business Information Center (213) 251-7253 <i>Los Angeles area businesses</i>
Center for International Trade Development <i>East Bay area</i> (510) 893-4114 <i>Sacramento area</i> (916) 563-3200	San Diego Manufacturing Extension Center (800) 699-6590 <i>San Diego area manufacturers</i>
Corporation for Manufacturing Excellence (510) 249-1480 <i>Bay Area manufacturers</i>	USC Engineering Technology Transfer Center (213) 743-2353 <i>High tech businesses</i>
Economic Development Alliance (510) 272-3874 <i>East Bay area</i>	Women's Initiative for Self-Employment (415) 247-9473 <i>Bay area</i>

### Exhibit F: Venture Capital Networks

ACCESS Capital (916) 973-1584 <i>Sacramento area</i>	Los Angeles Venture Network (213) 743-1726
American Entrepreneurs for Economic Growth (703) 351-5246	National Venture Capital Association (703) 351-5269
Antelope Valley Regional Venture Forum (800) 888-SITE	Sacramento Area Venture Capital Network (530) 823-0566
Emerging Technologies Institute (916) 498-1423 <i>Sacramento area high tech businesses</i>	Rural Venture Capital Network (530) 893-8732
	Venture Capital Institute of Central California (559) 278-4987

### Exhibit G: Small Business Administration (SBA)

Fresno District (559) 487-5189	San Diego District (619) 557-7250	Ventura Post of Duty (805) 642-1866
Los Angeles District (818) 552-3210	San Francisco District (415) 744-6820	Region IX Office (SF) (415) 744-2118
Sacramento District (916) 498-6410	Santa Ana District (714) 550-7420	SBA Answer Desk (800) 827-5722

### Exhibit H: California Financial Development Corporations

Bay Area Small Business DC <i>Oakland</i> (510) 267-9300 <i>Pleasanton</i> (510) 416-6495 <i>San Francisco</i> (415) 778-6123	California Coastal Rural DC <i>Salinas</i> (404) 424-1099 <i>Sta Barbara</i> (805) 962-9251 <i>Sta Maria</i> (805) 349-0798	SAFE-BIDCO <i>Santa Rosa</i> (707) 577-8621 <i>Eureka</i> (707) 445-2661
California Capital <i>Sacramento</i> (916) 442-1729	Hancock DC <i>Los Angeles</i> (213) 382-4300	Valley Small Business DC <i>Fresno</i> (559) 271-9030 <i>Bakersfield</i> (805) 322-7889
California Southern DC <i>San Bernardino</i> (909) 384-9006 <i>San Diego</i> (619) 232-7771	Pacific Coast Regional DC <i>Los Angeles</i> (213) 739-2999	

<b>Exhibit I: Intermediary Relending Program (IRP) Lenders</b>
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Arcata Economic DC and Tri-Agency (707) 822-4616 <i>Del Norte, Humboldt &amp; Lake counties</i>	California Statewide CDC (530) 756-9310 <i>Existing businesses in CA</i>	Superior California EDD (530) 225-2760 <i>Shasta, Siskiyou, &amp; Trinity</i>
CDC Small Business Finance Corporation (760) 353-3095 <i>Imperial County</i>	Crown Economic DC (559) 582-4326 <i>Kings County</i>	SAFE-BIDCO (707) 577-8621 or 445-2661 <i>Del Norte, Humboldt, Mendocino, Trinity counties</i>
California Capital Small Business DC (916) 442-1729 <i>Del Norte, Glenn, Humboldt, Lake, Lassen, Mendocino, Shasta, Siskiyou, Tehama, &amp; Trinity counties</i>	Del Norte Economic DC (707) 464-2169 <i>Del Norte County</i>	Tri-County EDC (530) 893-8732 <i>Glenn &amp; Tehama counties</i>
California Coastal Rural DC (408) 424-1099 <i>Monterey, San Benito, Santa Cruz, Santa Clara, San Luis Obispo &amp; Santa Barbara co.</i>	Lake County Business Outreach & Response (707) 262-1090 <i>Lake County</i>	Valley Small Business DC (559) 271-9030 <i>Fresno, eastern Kern, Kings, Madera, Mariposa, Merced, Stanislaus, Tulare, &amp; Tuolumne</i>
	Rural Community Assistance Corporation (916) 447-2854 <i>Statewide (child care &amp; health care related projects)</i>	Yuba-Sutter EDC (530) 751-8555 <i>Yuba &amp; Sutter counties</i>

<b>Exhibit J: Certified Development Corporations (CDC's)</b>
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Amador EDC (209) 223-0351	Capital Business Group (Capital Access Group) (415) 981-0770 <i>Bay Area</i>	EDC of Shasta County (530) 225-5300
Arcata Economic DC (707) 822-4616	Central Coast DC (805) 736-1445	Economic Development Foundation of Sacramento (916) 962-3669
Bay Area Employment DC (510) 926-1020	CDC Small Business Finance <i>San Diego (619) 291-3594 Imperial (760) 291-3594 Orange (714) 978-1182 Palm Desert (760) 836-3855 Riverside (909) 352-5730</i>	Enterprise Funding Corp. (909) 981-2744 <i>San Bernardino County</i>
Business Finance Center (213) 278-9600 <i>Los Angeles County</i>		Fresno CDC (559) 485-5735
California Statewide CDC (530) 756-9310 <i>Statewide</i>	Crown EDC of Kings County (559) 582-4326	Greater Sacramento CDC (916) 339-1096

<b>Exhibit J: Certified Development Corporations (CDC's) --- CONTINUED</b>
--

HEDCO LDC (808) 521-6502	Mid State DC (805) 322-4241	Superior California EDD (530) 241-8720
La Habra LDC (310) 690-6400	Shasta County CDC (530) 241-8720	The Mortgage Capital DC (415) 989-8855 <i>Bay Area</i>
Long Beach Area CDC (310) 983-7450	Southland EDC (714) 647-1143 <i>Orange County</i>	Tracy/San Joaquin County CDC (209) 468-2266
Los Medanos Fund (510) 439-1056 <i>Bay Area</i>	Stanislaus County EDC (209) 521-9333	Tulare County EDC (559) 688-6666

<b>Exhibit K: Local Development Corporations (DC's) &amp; Other Sources</b>
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Many of the local development corporations have already been listed in the preceding exhibits. The following is a partial listing of local development corporations not previously mentioned:

City of Banning Redevelopment Agency (909) 922-0361	ED & Financing Corp. (707) 462-2353 <i>Mendocino County</i>	Greater San Gabriel Valley CDC (626) 441-8700
Brawley RLF (760) 344-8622	EmTek Fund (619) 236-6235 <i>San Diego</i>	Hoopa Valley Tribe (530) 625-4211
Calaveras County EDC (209) 754-1834	City of Exeter (559) 788-4030	City of Huron (559) 453-1554
California Business Incubation Network (760) 446-2004 <i>Ridgecrest</i>	City of Fairfield (707) 428-7688	Los Angeles County CDC (213) 890-7001
Community Financial Resource Center (213) 233-1900 <i>Los Angeles area</i>	FAME Renaissance Business Center (213) 730-9194 <i>Los Angeles area</i>	Los Angeles LDC (800) 366-1178
Community Development Services (707) 262-1090 <i>Lake County</i>	City of Farmersville (559) 747-0458	Madera County EDC (559) 675-7768
City of Corona RLF (909) 739-4946	Fresno County EDC (559) 233-2564	Merced County RLF (209) 725-3894
	Fresno County Economic Opportunity Commission (559) 263-1290 <i>Refugee-run businesses</i>	Modesto Small Business (209) 571-5566
		Modoc EDC (530) 233-3511 <i>(more)</i>

<b>Exhibit K: Local Development Corporations (DC's) &amp; Other Sources -- CONTINUED</b>
--

Napa Valley EDC (707) 253-3212	Sierra ED District (530) 823-4703 <i>Placer, Nevada, &amp; El Dorado counties</i>	West Sacramento RLF (916) 373-5843
EDC of Monterey County (408) 754-6807	Siskiyou EDC (530) 842-1638	Yolo County RLF (530) 666-8039
Monterey County Redevelopment Agency (408) 755-5065 <i>Pajaro</i>	Solano EDC (707) 864-1855	
Oakdale RLF (209) 847-3031 Oakland 1-Stop Capital Shop (510) 238-3703	Southeast Asian Community Center (415) 885-2743 <i>Bay Area, Monterey, Sonoma</i>	
Oakland Business DC (510) 763-4297	Taft Area RLF (805) 763-3144 x 27	
Pasadena DC (626) 398-9971	Tehama LDC <i>Red Bluff area</i> (530) 529-7100	
City of Perris (909) 943-5003	Tri-County EDC (916) 893-8732 <i>Butte, Glenn, &amp; Tehama</i>	
Plumas County CD Cmsn (530) 283-2466	Tulare County EDC (559) 668-6666	
Redwood Region EDC (707) 445-9651 <i>Humboldt County</i>	Turlock RLF (209) 668-5542 x235	
Riverside County EDD (760) 863-8225	VIDA (Valley of Imperial Development Alliance) (760) 312-9800 <i>Imperial County</i>	
Rural Community Assistance Corporation (916) 447-2854 <i>Statewide</i>	Ventura Business Development Fund (805) 384-1800 <i>Ventura County</i>	
San Benito County EDC (408) 636-1882	City of Watsonville (408) 728-6011	
San Joaquin Business Investment Group (209) 233-3580	WEST Company (707) 468-3553; 964-7571 <i>Mendocino County</i>	
Shasta County EDC (530) 225-5303		

## **Exhibit L: USDA Rural Development in California**

USDA Rural Development is an alliance of three agencies of the U.S. Department of Agriculture -- Rural Business-Cooperative Service (RBS), Rural Utilities Service (RUS), and Rural Housing Service (RHS) -- delivering an array of programs responding to the needs of rural communities. Its programs can be divided into two types:

### **1. Programs for Communities**

**(public bodies, tribes, & nonprofits)**

#### RBS Programs

Rural Business Enterprise Grants (RBEG)  
Intermediary Relending Program (IRP)  
Rural Economic Development Loan & Grant (REDLG) Program

#### RUS Programs

Water & Waste Disposal (WWD) Loans  
Distance Learning & Telemedicine Grants

#### RHS Programs

Community Facility (CF) Direct & Guaranteed Loans & Grants

### **2. Programs for Individuals & Businesses**

#### RBS Programs

Business & Industry (B&I) Guaranteed Loans

#### RHS Programs

Rural Housing (RH 502) Direct, Guaranteed, & Participation Loans  
Rural Housing Repair & Rehabilitation (RH 504) Loans & Grants  
Multi-Family Housing (MFH 515) Loans  
Farm Labor Housing (FLH) Loans

**USDA Rural Development has 26 offices in California to deliver these programs:**

#### California State Office (Davis)

General	530-792-5800
RBS	530-792-5800
RUS	530-792-5800
RHS	530-792-5800

#### North & Central Coast

Eureka	707-443-6714 x101
Salinas	831-757-5294 x4
Santa Rosa	707-526-6797
Ukiah	707-462-2916 x4

#### Northern California

Alturas	530-233-4615
Oroville	530-533-4401 x 3
Red Bluff	530-527-1013 x4
Redding	530-246-5244 x4
Yreka	530-842-6123 x4

#### Northern San Joaquin Valley

Fresno	559-276-7494 x4
Modesto	209-491-9320 x4
Merced	209-723-0475 x4
Stockton	209-946-6455 x4

#### Sacramento Valley

Auburn	530-885-7081 x4
Elk Grove	916-714-1104 x4
Willows	530-934-4614 x4
Yuba City	530-673-4347 x4

#### Central California

Bakersfield	805-861-4221 x4
Hanford	559-584-8732 x4
Santa Maria	805-928-9269 x4
Visalia	559-734-8732 x4

#### Southern California

Apple Valley	760-242-1340 x3
El Centro	760-352-3314
Indio	760-342-4624 x4
Moreno Valley	909-656-6800



**Appendix: Internet Resources**

If you have access to the internet, there are a number of valuable websites that may assist you in obtaining business financing information. The following sites are just a few of these:

**USDA Rural Development Business Programs**

<http://www.rurdev.usda.gov/rbs/>

**US Business Advisor**            <http://www.business.gov>

**US Small Business Administration**            <http://www.sba.gov>

**US Department of Commerce**            <http://www.doc.gov>

**California State Government Business Programs**

<http://www.ca.gov/gov/bus-prog.html>

<http://www.commerce.ca.gov>

**smallbizNet**            <http://www.lowe.org>

**Bank Web**            <http://www.bankweb.com>

**Minority Business Development Centers**

<http://www.mbdba.gov>

**Cooperatives** <http://www.rurdev.usda.gov/rbs/coops/>

<http://cooperatives.ucdavis.edu>

**Venture capital web sites**            <http://www.usda.gov/aarc>  
<http://ace-net.unh.edu>  
<http://www.v-capital.com.au>  
<http://www.FinanceHub.com/vc>  
<http://www.garage.com>

**Women in business** <http://www.onlinewbc.org>

**Financing for your rural community:**

**USDA water & waste programs**

<http://www.rurdev.usda.gov/rus/>

**USDA low income housing**

<http://www.rurdev.usda.gov/rhs/>

## **B&I PROGRAM OVERVIEW**

### **Business & Industry (B&I) Guaranteed Loan Program**

#### **Program Goal**

Encourage the commercial financing of rural businesses, thereby:

- \* Creating and saving rural jobs

- \* Improving the economic and environmental climate of rural communities

☞ The B&I program is lender-driven. *USDA guarantees the loan rather than lending directly.*

*A commercial lender requests the B&I guarantee, and, if approved, it makes (and services) the loan.*

#### **Type of Assistance**

Federal guarantee for lenders on their rural business loans:

- 80% (maximum) guarantee on loans up to \$5 million

- 70% (maximum) guarantee on loans from \$5-10 million

#### **Lender Benefits**

There is an active secondary market for B&I guarantees (e.g., Farmer Mac II and SBA markets)

The guaranteed portion of the loan is protected against loss by a Federal guarantee.

The guaranteed portion of the loan does not count against lending limits.

B&I guarantees help lenders satisfy Community Reinvestment Act (CRA) requirements.

Lenders use their own forms, loan documents, and security instruments.

#### **Size of Loans**

No minimum, but typically beginning at SBA maximum (\$750,000). Up to \$10 million.

#### **Interest Rate, Term, Payment Structure, and Fees**

Rate: Lender's customary commercial interest rate -- negotiated by lender & business

Fixed or variable (but may not vary more often than quarterly)

Term: Working capital -- 7 years maximum

Equipment -- 15 years maximum (not to exceed useful life of collateral)

Real estate -- 30 years maximum (not to exceed useful life of collateral)

Structure: Balloons are not permitted. Reduced payments may be scheduled in the first 3 years.

Fees: Lender's reasonable and customary fees okay -- negotiated by lender & business

USDA charges a one-time guarantee fee equal to 2 percent of the guaranteed amount

#### **Authorized Loan Purposes**

Real estate, buildings, leasehold improvements, equipment, inventory, working capital.

Loan fees & costs (including B&I guarantee fee), professional services, and feasibility study costs.

#### **Loan Limitations**

Lines of credit cannot be guaranteed.

Construction projects:

A B&I guarantee may be issued before construction if the lender certifies that the development work will be completed in accordance with the plans and specifications.

The percent of guarantee may be reduced if the guarantee is issued before project completion.

Construction loan funds should not be advanced until USDA has approved the project.

Debt refinancing:

The refinancing must create new jobs or secure existing jobs (e.g., by improving cash flow).

If a lender wishes to refinance a loan already in their portfolio, this must be a secondary purpose (less than 50% of loan) & the loan must have been current for at least 12 months.

Transfers of ownership: Acquisitions are only eligible if they create new jobs or prevent job loss.

Commercial lease projects (retail centers, office buildings, industrial facilities, etc.):

Needn't be owner-occupied, but must have enough committed tenants to break even.

New developments and renovation projects are eligible. Transfer of ownership and debt refinancing projects are normally not eligible because these have no jobs benefit.

Community facility projects may be guaranteed provided the financing is not tax-exempt.

**Lender Eligibility**

Any Federal or State chartered bank; Farm Credit System; Bank of Cooperatives; Savings & Loan or Building & Loan Association; bank-holding company's mortgage company; credit union; or insurance company -- subject to government credit examination and in good standing

Other lenders with commercial lending experience and financial strength may also be approved.

Lender's officers/directors/owners may not have a substantial financial interest in the borrower.

**Borrower Eligibility**

Most types of enterprises qualify -- manufacturing, wholesale, retail, service -- new or existing.

Project must be in a rural area -- beyond any 50,000+ population city and its urbanized periphery.

Proprietorships, partnerships, corporations, LLC's, co-ops, trusts, nonprofits, tribes, public bodies

Majority ownership must be held by US citizens or permanent residents.

Any ownership by government or military employees must be less than 20%.

Ineligible businesses:

Owner-occupied and rental housing projects (Housing site development may be eligible.)

Golf courses, racetracks, and gambling facilities

Lending, investment, and insurance companies

Projects involving more than \$1 million and the relocation of 50 or more jobs

Production agriculture:

Eligible only if the farm is vertically-integrated, ineligible for FSA farm loan guarantees, & the agricultural production part of the loan is secondary (less than 50% and less than \$1 million).  
Nursery, forestry, and aquaculture operations are eligible without these restrictions.

### **Underwriting and Security Requirements**

The proposed operation must have realistic repayment ability.  
New enterprises may be asked to obtain a feasibility study by a recognized independent consultant.

The business and its owners must have a good credit history.

The business must have tangible balance sheet equity position at loan closing/project completion of:

10 percent or more (for existing businesses)

20 percent or more (for new businesses)

There must be adequate collateral:

Real estate -- using 80 percent or less of the appraised value

Chattels -- using 60-80 percent or less of the appraised value

Accounts receivable (<90 days) -- using 60 percent or less

Inventory -- using 60 percent or less of the value

Hazard insurance on collateral (*lesser of loan amount or depreciated replacement value*)

Key person life insurance may be required (decreasing term OK) -- amount negotiated

Personal/corporate guaranties -- normally from all proprietors, partners (except limited partners), or major shareholders (i.e., all those with a 20%-or-greater interest)

Inability to get credit elsewhere is NOT a requirement.

### **Application Process**

Lender & business submit a *joint* preapplication to USDA, indicating a willingness to make the loan provided a B&I guarantee is approved.

USDA meets with all parties at the project site and makes a preliminary determination of project acceptability, normally within 15 days.

Lender and business complete their application.

From complete application, approval takes less than 60 days.

USDA issues a conditional commitment, approving the guarantee subject to conditions.

Loans up to \$5 million are approved locally; larger ones are approved in Washington, D.C.

The lender closes the loan and, after meeting USDA's conditions, requests the guarantee.

USDA issues the guarantee after verifying that all conditions have been met.

### **More Information**

The B&I program is administered in California by USDA Rural Development, 430 G St., Dept. 4169, Davis, CA 95616-4169. Telephone (530) 792-5800. Telefax (530) 792-5838.

## ELIGIBLE AREAS

### Business & Industry (B&I) Guaranteed Loan Program

#### General Guidelines:

B&I guarantees are available to eligible businesses in rural areas. The project being financed must be located in a rural area. It is not necessary for the business to be headquartered in a rural area.

The B&I program defines a rural area as any location beyond the urbanized periphery surrounding a city of 50,000 or more. A rural area begins beyond the legal boundaries of the urban area, after undeveloped, open country is encountered.

When a series of contiguous, incorporated communities stretch out from a 50,000+ city, all of these communities (even when they are less than 50,000) are considered urbanized and therefore ineligible. *Example:* The contiguous, smaller cities in the Los Angeles basin.

On the other hand, a series of indistinguishable cities each less than 50,000 are all considered rural if there is no city of 50,000+ associated with them, even when their combined populations exceed 50,000. *Examples:* The Monterey/Santa Cruz communities; the Palm Springs area.

The most recent decennial census is used to establish population size. Thus, communities that are now larger than 50,000 will still qualify if they were less than 50,000 in 1990. *Example:* Davis.

*The following survey is intended to give an overview of qualifying rural areas. To discuss specific locations, or for more information, contact USDA Rural Development, Business & Cooperative Programs at (530) 792-5800.*

#### NORTHERN CALIFORNIA:

In all of northern California, only Redding/Anderson/Shasta Lake and their urbanized periphery are ineligible. (Note: Chico, Eureka, Oroville, Ukiah, Red Bluff, & Yuba City-Marysville are eligible.)

There are no ineligible areas in the following counties:

<b>Butte</b>	<b>Glenn</b>	<b>Lassen</b>	<b>Nevada</b>	<b>Siskiyou</b>	<b>Trinity</b>
<b>Colusa</b>	<b>Humboldt</b>	<b>Mendocino</b>	<b>Plumas</b>	<b>Sutter</b>	<b>Yuba</b>
<b>Del Norte</b>	<b>Lake</b>	<b>Modoc</b>	<b>Sierra</b>	<b>Tehama</b>	

#### BAY AREA:

**Alameda County** -- Oakland/Hayward/Fremont, Pleasanton/Livermore and their urbanized communities are ineligible.

**Contra Costa County** -- Concord, Antioch and their urbanized communities, including Brentwood, are ineligible.

**Marin County** -- Novato and San Rafael and their urbanized periphery are ineligible.

**Napa County** -- The cities of Napa and American Canyon and their urbanized periphery are ineligible.

**San Francisco County** -- Ineligible.

**San Mateo County** -- San Mateo and its urbanized communities are ineligible.

(Note: Half Moon Bay and similar isolated coastal communities are rural.)

**Santa Clara County** -- San Jose and its urbanized communities, including Morgan Hill, are ineligible. (Note: Gilroy is eligible.)

**Solano County** -- Fairfield/Suisun City/Cordelia, Vacaville, Vallejo/Benicia are ineligible.

**Sonoma County** -- Santa Rosa and its urbanized communities, including Windsor and Rohnert Park/Cotati are ineligible. (Note: Petaluma and Sebastopol are eligible.)

**SACRAMENTO AREA:**

**Sacramento County** -- Sacramento and its urbanized communities, including Elk Grove, Folsom, and Elverta are ineligible.

**El Dorado County** -- No ineligible areas.

**Placer County** -- Roseville/Rocklin/Loomis are urbanized communities of Sacramento and therefore ineligible. (Note: Lincoln and Auburn are rural.)

**Yolo County** -- West Sacramento and its urbanized periphery are ineligible.

**CENTRAL COAST:**

**Santa Cruz County** -- No ineligible areas.

**Monterey County** -- Salinas and its urbanized communities are ineligible.

**San Benito County** -- No ineligible areas.

**San Luis Obispo County** -- No ineligible areas.

**Santa Barbara County** -- Santa Barbara/Goleta/Montecito and Santa Maria and their urbanized communities are ineligible. (Note: Carpinteria and Lompoc are rural.)

**SIERRA NEVADA:**

There are no ineligible areas in the following counties:

<b>Amador</b>	<b>Calaveras</b>	<b>Mariposa</b>	<b>Tuolumne</b>
<b>Alpine</b>	<b>Inyo</b>	<b>Mono</b>	

**CENTRAL CALIFORNIA:**

**Fresno County** -- Fresno/Clovis/Herndon/Malaga and their urbanized periphery are ineligible.

**Kern County** -- Bakersfield/Oildale/Rosedale/Greenfield and their urbanized periphery are ineligible.

**Kings County** -- No ineligible areas.

**Madera County** -- No ineligible areas.

**Merced County** -- Merced and its urbanized periphery are ineligible. (Note: Atwater, Castle AFB, and Los Banos are eligible.)

**San Joaquin County** -- Stockton and Lodi/Woodbridge and their urbanized communities are ineligible. (Note: Manteca, Ripon, and Tracy are eligible.)

**Stanislaus County** -- Modesto and its urbanized communities (e.g., Ceres, Salida, Empire) are ineligible. (Note: Riverbank and Turlock are eligible.)

**Tulare County** -- Visalia/Goshen and its urbanized communities are ineligible.

(Note: Porterville and Tulare are rural.)

**SOUTHERN CALIFORNIA:**

**Los Angeles County** -- Los Angeles, San Fernando Valley communities, Lancaster/Palmdale, and their urbanized communities are ineligible.

**Imperial County** -- No ineligible areas.

**Orange County** -- Santa Ana and its urbanized communities are ineligible.

**Riverside County** -- Riverside/Moreno Valley/Perris and their urbanized communities are ineligible. (Note: Beaumont, Sun City, Hemet, Palm Springs, Indio, and Temecula are eligible.)

**San Bernardino County** -- San Bernardino/Redlands/Yucaipa/Calimesa, Victorville/Apple Valley/Hesperia/Adelanto, and their urbanized communities are ineligible. (Note: Barstow is eligible.)

**San Diego County** -- San Diego, Oceanside, Escondido and their urbanized communities are ineligible. (Note: Fallbrook, Ramona, Alpine, and Jamul are rural.)

**Ventura County** -- Ventura, Oxnard, Camarillo, Thousand Oaks, Simi Valley-Moorpark and their urbanized communities are ineligible. (Note: Santa Paula, Fillmore, and Ojai are eligible.)

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## **PARTICIPATING LENDERS IN CALIFORNIA**

### **Business & Industry (B&I) Guaranteed Loan Program**

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#### **Eligible B&I Lenders**

B&I guaranteed loans can be obtained through any eligible lender who wishes to use the B&I program. Eligible lenders are: federal or state chartered banks, savings & loans, credit unions, farm credit system associations, bank-holding company mortgage companies, and insurance companies.

#### **Finding a B&I Lender**

USDA does not recommend or favor any particular lender. Businesses seeking B&I financing are encouraged first to contact lenders with whom they have an established banking relationship. Other lenders should also be contacted.

#### **Active B&I Lenders**

The B&I program is growing rapidly in California. Because the number of active B&I lenders is increasing all the time, no list will be exhaustive. The following is a list of lenders who have submitted B&I applications in the last two years. There are many others who have indicated their willingness to use the B&I program in the near future. Some lenders (those listed with a “★” below) have earned Certified Lender (“CLP”) status. This may allow them to provide more streamlined processing.

**Generally speaking you should direct inquiries to the lender’s Government Guaranteed Lending or Small Business Administration (SBA) Department.**

#### **Statewide & Regional**

Associates Commercial Corporation  
(Walnut Creek)  
★ **Bank of America Community  
Development Bank (Sacramento)**  
Bank of Commerce (Auburn/San Diego)  
B&I Lending, LLC (Atlanta)  
California Bank & Trust (Oakland)

Cupertino National Bank & Trust  
(Cupertino)  
GE Capital Small Business Finance  
(Emeryville)  
Goleta National Bank (Walnut Creek)  
★ **Heritage Bank of Commerce  
(San Jose)**  
Hibernia Bank (New Orleans)  
Imperial Bank (Inglewood)  
SierraWest Bank (Sacramento)

U.S. Bank (Sacramento)  
Web Bank (St. Helena)  
Zions Small Business Finance (Sacramento)

### **Northern Coast**

---

Bank of Petaluma (Petaluma)  
Humboldt Bank (Eureka)  
Napa National Bank (Napa)  
National Bank of the Redwoods (Santa  
Rosa)  
Six Rivers National Bank (Eureka)  
North Coast Bank (Windsor)

## **Northern California**

---

American River Bank (Sacramento)  
 Auburn National Bank (Auburn)  
 ★ **Butte Community Bank (Chico)**  
 Citizens Bank of Nevada County  
 (Nevada City)  
 Colusa-Glenn Farm Credit Services  
 (Colusa)  
 ★ **First Counties Bank (Clearlake)**  
 First Northern Bank (Dixon)  
 East County Bank (Antioch)  
 Feather River State Bank (Yuba City)  
 Gold Country Bank (Marysville)  
 Lake Community Bank (Lakeport)  
 North State National Bank (Chico)  
 Northern California Farm Credit (Chico)  
 Placer Savings Bank (Auburn)  
 Sacramento Commercial Bank  
 (Sacramento)  
 Tri Counties Bank (Chico)  
 Western Sierra Bank (El Dorado  
 Hills)

## **Central California**

---

Bank of Amador (Jackson)  
 Bank of Lodi (Lodi)  
 Bank of Oakland (Oakland)  
 Bank of Rio Vista (Rio Vista)  
 Bank of the Sierra (Visalia)  
 Farmers & Merchants Bank of Central  
 California (Elk Grove)  
 County Bank (Merced)  
 Oak Valley Community Bank (Oakdale)  
 Pacific State Bank (Stockton)  
 Regency Bank (Modesto)  
 United Security Bank (Fresno)

## **Central Coast**

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California Coastal Rural Development  
 Corporation (Salinas)  
 Cypress Bank (Seaside)  
 First National Bank of Central California  
 (Monterey)  
 Heritage Oaks Bank (San Luis Obispo)  
 Los Robles Bank (Camarillo)  
 Mid-State Bank (Arroyo Grande)  
 Mission Community Bank (San Luis  
 Obispo)  
 Montecito Bank & Trust (Santa Barbara)  
 Monterey County Bank (Monterey)  
 Santa Barbara Bank & Trust  
 San Benito Bank (Hollister)  
 Santa Cruz Community Credit Union  
 (Santa Cruz)

## **Southern California**

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Borrego Springs Bank (Borrego  
 Springs)  
 Desert Community Bank (Victorville)  
 Fallbrook National Bank (Fallbrook)  
 First Community Bank (Palm Springs)  
 First International Bank (Chula Vista)  
 Mojave Desert Bank (Mojave)  
 North County Bank (Escondido)  
 Palm Desert National Bank (Palm  
 Desert)  
 Sun Country Bank (Apple Valley)  
 Temecula Valley Bank (Temecula)  
 Upland Bank (Chino)  
 Valley Bank (Moreno Valley)  
 Valley Independent Bank (El  
 Centro/Rancho Mirage)  
 Valley Merchants Bank (Hemet)

## What does RCAC consider in making a loan?

In making a loan, RCAC assesses the likelihood that a child care center can meet its business objectives and secure long-term financing by analyzing the center's business plan. This analysis, known as underwriting, examines:

### Collateral

What real estate (or other collateral) will be used to secure the loan? What is its **value**, highest and best use, size and design in relationship to the center's business plan?

Market analysis or needs assessment Does the analysis or assessment indicate sufficient demand and need to justify the services provided or proposed by the child care center?

### Financial feasibility

Will the projected revenues be sufficient to cover operating expenses, mortgage payments, and an operating reserve?

Management and staff qualifications -**Are** the management and staff adequately trained and experienced? How difficult will it be to find replacement or substitute staff?

**Availability and conditions** of long- term, permanent financing  
How will **the RCAF** interim loan be **paid** off?

## For more information ...

To find out more about RCAC or about our Child Care Facility Lending Program, contact us at:



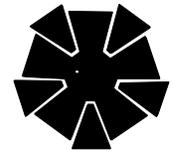
**Rural Community Assistance Corporation**  
2125 19th Street, Suite 203  
Sacramento, CA 95818  
916/447-2854  
916/447-2878 fax  
**e-mail:** rcacmail@rcac.org

Visit RCAC's home page at  
<http://www.rcac.org>

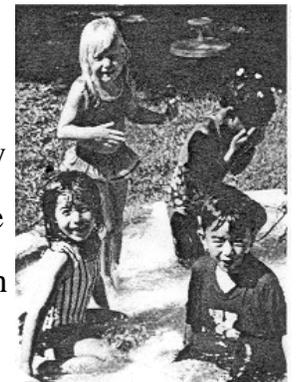
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- Rod Marshall, RCAC  
- Marin Community Child Development Program

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4/97 2m

# Child Care Facility Lending Program



Rural  
Community  
Assistance  
Corporation



**A** nonprofit child care center with a good business plan *can* get a loan to buy, expand or rehabilitate a building to provide quality child care.

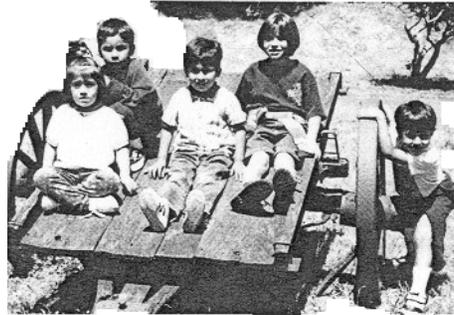
Rural Community Assistance Corporation (RCAC) makes affordable interim loans to rural, nonprofit child care centers. The goal of this lending program is to increase the quality and supply of child care facilities in the rural West.

RCAC is a nonprofit organization dedicated to improving the quality of life for rural communities and disadvantaged people through partnerships, technical assistance and access to resources.



### What is an interim loan?

Interim loans are sometimes called "gap" or "bridge" loans. These short-term loans give a nonprofit developer or child care center up to three years to meet the lending criteria of a traditional long-term lender. The RCAC interim loan spans a gap in time, between the vision to the operation of a quality child care facility from concept to reality. RCAC's interim loan can be used to pay predevelopment and construction costs before business revenues are stabilized to meet permanent loan conditions.



### What loan purposes qualify?

The RCAC loan can be used to:

- build a **new** facility,
- buy and/or rehabilitate an existing building, or
- remodel to improve the quality of care in an existing facility or increase its capacity to serve more children.

### What are the loan terms?

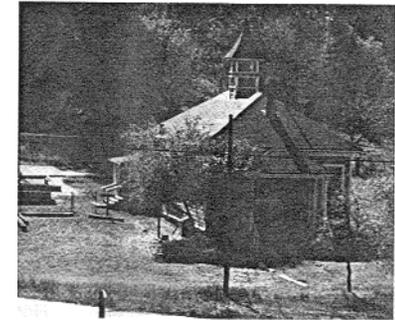
Generally, the RCAC Loan Fund will lend up to \$250,000 per eligible project, with a maximum term of 36 months. The interest rate is 6.5 percent and loan origination fee of 2 points. Typically loans must be secured by real estate. RCAC will lend up to 100 percent loan-to-value, with value as defined by appraisal or cost, whichever is less.

**RCAC created** a loan fund in 1988 to fill the need of local agencies and **nonprofit** developers for affordable predevelopment funds. Working with foundations, religious organizations, banks and governments, RCAC created a low-interest revolving loan fund.

In 1996, RCAC was designated as a Community Development Financial Institution (CDFI) by the U.S. Treasury. RCAC now makes affordable interim loans to meet a variety of financing needs in rural communities.

### What type of child care facility qualifies?

Nonprofit child care centers are eligible for a loan from RCAC when at least 25 percent of the children enrolled are (or will be) from low- and very-low income families. The center must be in a rural area with a population of less than 50,000.



The Clipper Gap School, built in 1897, was rehabilitated for use as a preschool.

For additional information contact **your local USDA Rural Development office.**

-or-

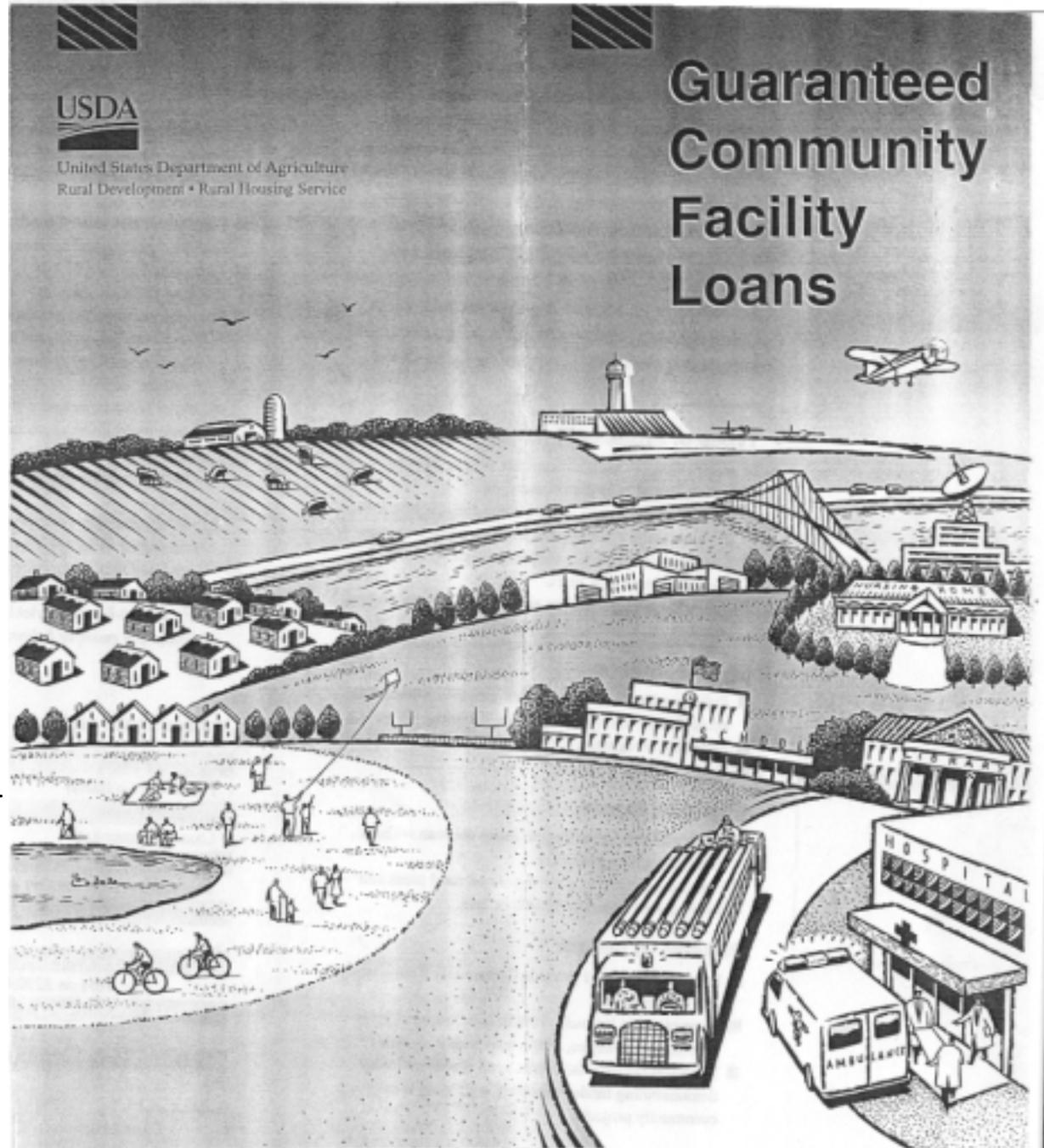
**USDA Rural Housing Service, Community Programs Division**  
1400 Independence Ave. SW  
Washington, D.C. 20250  
TEL (202) 720-1490  
FAX (202) 690-0471

**Website**  
<http://www.rurdev.usda.gov>

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To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

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*USDA Rural Development is committed to building stronger, more vibrant rural communities across the nation. Community facilities-such as health care clinics, police and fire stations, and schools-are essential to the quality of life in rural communities. The Rural Housing Service of the USDA Rural Development ran work with local lenders--including banks, savings and loan associations, mortgage companies, and Farm Credit System banks-to offer loan guarantees to help build essential community facilities.*

### Types of Projects Financed

**Health Care** - such as hospitals, clinics, nursing homes, ambulatory care centers, etc.

**Public Safety** - such as police and fire stations, jails, fire and rescue vehicles, and communication Centers.

**Telecommunications** - medical and education telecommunications links.

**Public Services** - such as adult and child care centers, courthouses, airports, schools, fairgrounds, jails, etc.

### Eligible Entities

**Public entities** - municipalities, counties, other public subdivisions, and special-purpose districts.

**Federally** recognized Indian Tribes.

**Nonprofit** organizations.

### Eligibility Issues

Lender must be unwilling to make the loan without obtaining a loan guarantee.

Loans are limited to unincorporated rural areas and incorporated towns of 50,000 or less.

### Benefits to Lender

Loans may be used towards Community Reinvestment

Act requirements.

Guarantee rate is usually 80% of loan amount.

Under special circumstances, a 90% guarantee is available.

Excellent public relations in local communities by demonstrating lender's interest in funding local community projects.

- Variable-rate loans may be used to reduce lender risk from interest fluctuation.
- Lender may charge different rates on guaranteed and non-guaranteed portions of the loan.
- Lender's risk of loss is reduced by the percent of loan guarantee.
- Loan stimulates related banking services to customers, such as checking and savings accounts.
- Guaranteed portion of loan is secured by full faith and credit of U.S. Government.
- Provides portfolio protection from:
  - Temporary financial problems, such as natural disasters, adverse economic trends, reduced use of facilities, etc.
  - Major reorganizations due to enlargements, bankruptcy, death of principals operating and managing facility, etc.
  - Decline in collateral value due to adverse economic trends.
  - Accelerated depreciation and inherent risk associated with highly specialized facilities.
- Guaranteed loans may be sold on the secondary market - lender retains interest rate margin for servicing and increases yield on the amount of loan retained. **See example below:**

### Approximate yield on fixed rate loan

Amount of loan	\$1,000,000
Portion sold (80%)	\$800,000
Invested fund	\$200,000
Loan interest rate	10.00%
Rate paid on portion sold	9.00%
Servicing fee on amount sold	1.00%
Prime rate	8.00%
Income - 1% on \$800,000	\$8,000
10% on \$200,000	20,000
Total income	\$28,000
Approximate yield on invested funds	14.00%

- Lender can use required deposit reserves to fund guaranteed portion of loan.
- Guaranteed portion of loan does not cont against legal lending limits.

### Benefits for the Customer

- Customer is able to obtain more timely financing of project, thereby reducing inflationary increases in construction cost.
- Customer establishes loan history with a commercial lender, not the Government.
- Lender can offer better terms to customer, especially when loan is sold on secondary market.
- The customer may combine guarantee funds with other Federal, State, and local funds.

### Benefits for the Community

- Adequate local services attract residential and commercial development.
- Tax base can increase with new development.
- Insurance rates can decrease with better fire Protection.
- Community quality of life improved

### Assistance Available for Loan Processing

- Aside from Agency application forms, the lender uses their own documents to make and service loans.
- Agency staff is available to assist lenders to Prepare documents required for guaranteed loan processing.
- Agency has technical staff who review construction plans and environmental impact statements for the benefit of the Government.

# Rural Development

## Rural Housing Service

# Community Facilities Loans

*Community facilities - such as health care clinics, police and fire stations, schools and child care centers - are essential to the quality of life in any rural community. Through its Community Facilities Loan program, the Rural Housing Service (RHS) of USDA Rural Development is striving to ensure that such facilities are readily available to all rural Americans. The commitment of USDA to this effort is at the core of its mission and its promise to help build stronger, more vibrant rural communities across the nation.*

RHS can make and guarantee loans to develop essential community facilities in rural areas and towns of up to 50,000 in population. RHS can guarantee loans made and serviced by lenders such as banks, savings and loans, mortgage companies which are part of bank holding companies, banks of the Farm Credit System, or insurance companies regulated by the National Association of Insurance Commissioners. RHS may guarantee up to 90 percent of any loss of interest or principal on the loan. Normally, guarantees will not exceed 80 percent. RHS can also make direct loans to applicants who are unable to obtain commercial credit.

### How May Funds Be Used?

Loan funds may be used to construct, enlarge, or improve community facilities for health care, public safety, and public services. This can include costs to acquire land needed for a facility, pay necessary professional fees, and purchase equipment required for its operation. Examples of essential community facilities include:

- **Health Care**  
Clinics, ambulatory care centers, hospitals, rehabilitation centers, and nursing homes.
- **Telecommunications**  
Medical and educational telecommunications links
- **Public Safety**  
Communications centers, police and fire stations, fire trucks, rescue vehicles, and jails.
- **Public Services**  
Adult and child care centers, city halls, courthouses, airports, garages, off-street parking facilities, sidewalks, street improvements, college classrooms and dormitories, libraries, museums, schools, fairgrounds, and animal shelters.

### Who May Apply?

Loans and guarantees are available to public entities such as municipalities, counties, and special-purpose districts, as well as to nonprofit corporations and tribal governments.

In addition, applicants must have the legal authority to borrow and repay loans, to pledge security for loans, and to construct, operate, and maintain the facilities. They must also be financially sound and able to organize and manage the facility effectively.

Repayment of the loan must be based on tax assessments, revenues fees, or other sources of money sufficient for operation and maintenance, reserves, and debt retirement.

### What Are the Terms?

The maximum term for all loans is 40 years. However, the repayment period is limited to the useful life of the facility or any statutory limitation on the applicant's borrowing authority.

### What Is the Interest Rate?

Interest rates for direct loans are based on current market yields for municipal obligations, although loans for facilities impacting prime or unique farmland may require a slightly higher rate. Certain other direct loans may qualify for a lower interest rate, depending upon the median household income of the residents of the community to be served. The interest rates for guaranteed loans may be fixed or variable and are determined by the lender and borrower, subject to RHS review and approval.

### *What Security Is Required?*

Bonds or notes pledging taxes, assessments, or revenues will be accepted as security if they meet statutory requirements. Where State laws permit, a mortgage may be taken on real and personal property. Tax-exempt notes or bonds may be issued to secure direct loans, but cannot be used for guaranteed loans.

### *How Are Applications Made?*

Applications are handled by USDA Rural Development field offices. Rural Development staff will be glad to discuss a community's needs and the services available from RHS and other agencies within the U.S. Department of Agriculture. Field staff can provide application materials and current program information, and assist in the preparation of an application.

Rural Development field office locations are generally listed in local telephone directories under the heading "U.S. Government, Department of Agriculture."

Interested applicants and lenders may also contact the RHS National Office at the following address:

U.S. Department of Agriculture  
Rural Housing Service  
1400 Independence Avenue, SW  
Community Programs Division  
Washington, D.C. 20250-0700

Telephone: (202) 720-1490

Fax: (202) 690-0471

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