USDA Guaranteed Loans

USDA B&I (Business & Industry), CF (Community Facility), and FSA (Farm Service Agency) Guaranteed loan portions are traded in an active secondary market.

USDA Guaranteed Loans feature a unique combination of favorable characteristics:

- **Increase the Commercial Loan Portfolio:** USDA guaranteed loan portions purchased in the secondary market are carried in the loan portfolio.

- **High Credit Quality:** USDA guaranteed loans are unconditionally guaranteed as to principal and accrued interest by the full faith and credit of the United States Government.

- **0% to 20% Risk Weighting:** Purchased USDA guaranteed loans qualify as either 0% or 20% risk weighted assets, depending on your federal regulator.

- **Interest Rate Sensitivity:** Many USDA loans feature adjustable interest rates that adjust frequently and are not subject to periodic or lifetime interest rate caps.

- **Liquidity/Marketability:** USDA guaranteed loans trade in an active secondary market. Since variable USDA loan interest rates reset frequently and are not subject to interest rate caps, their rates are always fairly reflective of the prevailing interest rate environment. This feature enhances the marketability of the assets.

- **Prepayment Penalties:** Many USDA loans are subject to prepayment penalties (often 5-4-3-2-1%) that are passed-through to investors on a pro-rata basis.

- **Pledge-ability:** While regulatory treatment may vary, USDA guaranteed loans are generally pledge-able as collateral for public funds, Federal Reserve and Federal Home Loan Bank advances, and treasury, tax & loan accounts. Please check with your regulators for specifics.

- **Spreads:** Variable rate USDA guaranteed loans are offered at spreads over comparable, short-term rates, such as fed-funds or LIBOR. Fixed rate loans are also available and are typically offered at spreads over the comparable U.S. Treasury curve.

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