

COMMUNITY FACILITIES (CF) GUARANTEED LOAN PROGRAM

APPLICATION GUIDE

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OBTAINING A COMMUNITY FACILITY GUARANTEED LOAN

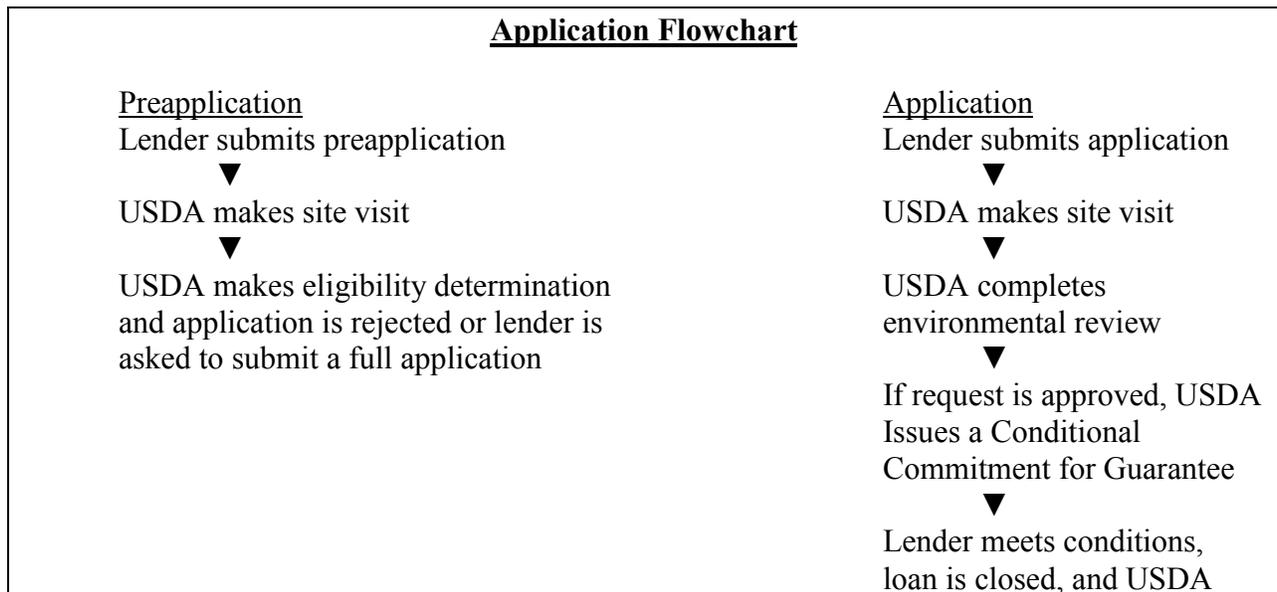
The Community Facility (CF) guaranteed loan program provides government backed credit to private lenders to enhance financing of community based public facilities. The following information is intended to provide an overview of the application process as well as provide a process for screening potential projects.

THE APPLICATION PROCESS

The lender has the option of completing a full application or requesting an eligibility determination by submitting a preapplication. When a preapplication is submitted, USDA will respond to the lender with an eligibility determination and request that a full application be submitted, if the project is eligible. The preapplication/application requires information from both the lender and the applicant.

Only two Agency forms are required with the submission of a full application (see Page 5). These forms are available in an electronic fillable version from any USDA loan officer.

Once USDA receives a preapplication/application, a meeting will be arranged at the project site. Loans under \$3 million are approved by the California State Office; larger loans must be approved by USDA’s National Office in Washington, D.C.



**COMMUNITY FACILITIES GUARANTEED LOAN PROGRAM
Application Guide****SCREENING POTENTIAL PROJECTS**

Lenders are encouraged to contact USDA early in the application process to help direct your efforts and discuss the eligibility requirements for the program. The following has been developed to help lenders screen potential projects for eligibility:

Eligibility Questions to Ask About Project

1. Is the project located in a rural area that meets the definition on Page 6 of this Guide?
 Yes No
2. Does the facility primarily serve rural residents? Yes No
3. Is the applicant a public body, nonprofit, or a Federally recognized Indian Tribe?
 Yes No
4. Is the facility being financed for public use? Yes No
5. Will the funds be used to construct, enlarge, extend, or otherwise improve an essential community facility? Yes No
6. Is the project viable, and is there adequate security? Yes No

If the answer to all the questions above is “yes”, we encourage the lender and applicant to submit an application!



REQUEST FOR A CF GUARANTEED ELIGIBILITY DETERMINATION

Lenders that wish to obtain an eligibility determination on a CF Guaranteed Loan should provide the following preapplication information (optional) to USDA Rural Development:

1. Form SF 424.2, Application for Federal Assistance.
2. Cover letter from lender indicating it is not willing to fund the proposed project without the guarantee.
3. Historical (audits) and projected financial statements.
4. Applicant's organization documents.
5. Copy of any debt instrument for which the applicant is currently liable.
6. Proposed sources and uses of funds.
7. Site Information (including location).

Form SF 424.2 is available at: <http://www.usda.gov/rus/water/wwforms.htm>



CONTENTS OF A CF GUARANTEED LOAN APPLICATION

Lenders that have screened a project using the criteria in this Guide or have received an eligibility determination by USDA are encouraged to submit the following application information. These items are also summarized in Part F of Form RD 3575-1.

1. Form RD 3575-1, Application for Loan Guarantee.
2. Copies of organizational documents.
3. Cover letter from lender indicating it is not willing to fund the proposed project without the guarantee.
4. Evidence of community support (see Page 10).
5. Current and previous year's financial and income statements.
6. Projected income statement.
7. Narrative statement describing organization's services, scope of operation, geographical area served, and any management agreements or leases.
8. Copy of the proposed loan agreement.
9. Form RD 1940-20, Request for Environmental Information (see Page 9).
10. Preliminary engineering/architectural report including cost estimates.
11. Projected sources and uses of funds.
12. Lender's credit analysis.
13. Appraisal report (if required, see Page 10).
14. Financial feasibility report (if required, see Page 10).
15. Copy of lender's credit report.

Forms are available at: <http://forms.sc.egov.usda.gov/efrms/formsearchservlet>

COMMUNITY FACILITY GUARANTEED LOANS
LIST OF ELIGIBLE AREAS

GENERAL GUIDELINES:

Community Facility (CF) Guaranteed loans are available to eligible non-profits, public entities, and Indian Tribes in rural areas. The facility being financed must be located within an eligible rural community; however, it may be adjacent to a non-rural area if it is determined that the facility primarily serves rural residents. **The CF program defines a rural area as a city, town, or unincorporated area that has a population of not more than 20,000 inhabitants.** It is not necessary that the applicant be located in a rural area. The unincorporated areas that have over 20,000 inhabitants and are ineligible are listed on Page 8. All other unincorporated areas are eligible. The following provides an overview of eligible rural cities in California for the CF Program.

COUNTIES THAT ARE ENTIRELY ELIGIBLE:

Alpine, Amador, Calaveras, Colusa, Del Norte, Glenn, Inyo, Lake, Lassen, Mariposa, Mendocino, Modoc, Mono, Nevada, Plumas, Sierra, Siskiyou, Tehama, Trinity, and Tuolumne

ELIGIBLE NORTHERN CALIFORNIA CITIES:

Butte County—Biggs, Gridley, and Oroville
Humboldt County—Arcata, Blue Lake, Ferndale, Fortuna, Rio Dell, and Trinidad
Shasta County—Anderson and Shasta Lake
Sutter County—Live Oak
Yuba County—Marysville and Wheatland

ELIGIBLE BAY AREA CITIES:

Alameda County—Albany, Emeryville, and Piedmont
Contra Costa County—Clayton, Hercules, Moraga, Orinda, and Pinole
Marin County—Belvedere, Corte Madera, Fairfax, Larkspur, Mill Valley, Ross, San Anselmo, Sausalito, and Tiburon
Napa County—American Canyon, Calistoga, St. Helena, and Yountville
San Mateo County—Atherton, Brisbane, Colma, Half Moon Bay, Hillsborough, Portola Valley, and Woodside
Santa Clara County—Monte Sereno
Solano County—Dixon and Rio Vista
Sonoma County—Cloverdale, Cotati, Healdsburg, Sebastopol, and Sonoma

ELIGIBLE SACRAMENTO AREA CITIES:

Sacramento County—Galt and Isleton

El Dorado County—Placerville

Placer County—Auburn, Colfax, Lincoln, and Loomis

Yolo County—Winters

ELIGIBLE CENTRAL COAST CITIES:

Monterey County—Carmel by the Sea, Del Rey Oaks, Gonzales, Greenfield, King City, Pacific Grove, Sand City, and Soledad

San Benito County—San Juan Bautista

San Luis Obispo County—Arroyo Grande, Grover Beach, Morro Bay, and Pismo Beach

Santa Barbara County—Buellton, Carpinteria, Guadalupe and Solvang

Santa Cruz County—Capitola and Scotts Valley

ELIGIBLE CENTRAL CALIFORNIA CITIES:

Fresno County—Coalinga, Firebaugh, Fowler, Huron, Kerman, Kingsburg, Mendota, Orange Cove, Parlier, Sanger, Selma, and San Joaquin

Kern County—Arvin, California City, Maricopa, McFarland, Shafter, Taft, and Tehachapi

Kings County—Avenal, Corcoran, and Lemoore

Madera County—Chowchilla

Merced County—Dos Palos, Gustine, and Livingston

San Joaquin County—Escalon, Lathrop, and Ripon

Stanislaus County—Hughson, Newman, Oakdale, Patterson, Riverbank and Waterford

Tulare County—Dinuba, Exeter, Farmersville, Lindsay and Woodlake

ELIGIBLE SOUTHERN CALIFORNIA CITIES:

Imperial County— Calipatria, Holtville, Imperial, and Westmorland
Los Angeles County—Artesia, Avalon, Bradbury, Commerce, El Segundo, Hawaiian Gardens, Hermosa Beach, Hidden Hills, Industry City, Irwindale, La Habra Heights, Malibu, Palos Verdes Estates, Rolling Hills, Rolling Hills Estates, San Marino, Santa Fe Springs, Sierra Madre, Signal Hill, Vernon, and Westlake Village
Orange County—La Palma, Laguna Woods, Los Alamitos, and Villa Park
Riverside County—Beaumont, Blythe, Calimesa, Canyon Lake, Desert Hot Springs, Indian Wells, and Rancho Mirage
San Bernardino County—Adelanto, Big Bear Lake, Grand Terrace, Loma Linda, Needles, Twentynine Palms, and Yucca Valley
San Diego County—Del Mar and Solana Beach
Ventura County—Fillmore and Ojai

INELIGIBLE AREAS OVER 20,000 THAT ARE UNINCORPORATED:

All unincorporated towns and areas that are not listed under this section are eligible under the CF Program:

Alameda County— Ashland and San Lorenzo
Contra Costa County— Bay Point, Danville Town, and Moraga Town
Los Angeles County—Altadena, East Los Angeles, Florence-Graham, Hacienda Heights, Lennox, Rowland Heights, South San Jose Hills, South Whittier, Valinda, West Carson, and Willowbrook
Orange County—Aliso Viejo and Tustin Foothills
Riverside County—Rubidoux
Sacramento County—Arden-Arcade, Carmichael, Fair Oaks, Florin, Laguna, North Highlands, Orangevale, Parkway-South, and Rosemont
San Diego County—Fallbrook, La Presa, Rancho San Diego, and Spring Valley
San Francisco County—All Ineligible
Santa Barbara County—Goleta and Orcutt
Santa Clara County—Los Gatos
Sonoma County—Windsor

To discuss specific locations or for more information, please contact USDA Rural Development at (530) 792-5800.



GUIDE FOR PROVIDING ENVIRONMENTAL INFORMATION, APPRAISALS, AND FINANCIAL FEASIBILITY REPORTS

This Exhibit provides an overview of the three items most frequently asked about and misunderstood under the CF Guaranteed Program:

ENVIRONMENTAL INFORMATION

As a Federal program, all CF Guaranteed loans are subject to the National Environmental Policy Act (NEPA). The level of environmental review is commensurate with the size and nature of the project. Consequently, USDA must complete the required environmental analysis. Any USDA loan officer can assist a lender with the environmental review and help in classifying projects. USDA classifies projects in one of the following tiers:

Categorical Exclusion

1. Intended for smaller generic projects that have been determined not to have a significant impact on the environment.
2. Types of projects include construction and renovation work for replacement and restoration purposes with minimal change in size, use, or location. This would also include the purchase of equipment.
3. The **applicant** only needs to provide the front page of Form RD 1940-20.

Class I

1. This is the second tier of environmental review for projects that usually do not cause significant impacts but need to be assessed. This level of review sometimes requires published public notices.
2. Types of projects include: Detention facilities, group homes, hospitals, and nursing homes with no more than 25 beds or a 25% increase. This would also include fire stations, libraries, and clinics.
3. The **applicant** needs to provide the front page of Form RD 1940-20 and attach part 1, 2, 13, 15, 16, and 17 of the form.

Class II

1. This is the third tier of environmental review intended for those projects exceeding the Class I threshold. Impacts are assessed in more detail to make sure that there are no significant impacts. Published public notices are required with this level of review.
2. The **applicant** needs to provide the front page of Form RD 1940-20 and attach all the items in the form.

Note: Unless directed by USDA, never complete Item 2 (SHPO) of Form RD 1940-20.



APPRAISALS

Under the CF Guaranteed regulations, submittal of appraisals are at the option of the lender with Agency concurrence. This requirement is optional due to the specialty projects that are being financed. These type of projects have a limited market for alternative uses resulting in market values that are often less than the construction amount. Therefore, the loan-to-value calculation can not be a major factor in the decision-making process. For this reason, loans are based on a “Security Package” that includes a combination of real estate, assignments of income, and chattel that will adequately ensure repayment of the loan.

FINANCIAL FEASIBILITY REPORTS

USDA may require a financial feasibility report as part of the application. USDA has the discretion to decide whether or not such a study is needed. Independent feasibility studies are generally required if the project involves; (1) a start-up facility, (2) one which has not yet established a historical track record, or (3) an existing facility proposing to develop an independent operation in a new location, which will depend on a new market for success. The lender’s financial credit analysis may also serve as the feasibility analysis when an existing applicant has the documented historic ability to generate sufficient funds to service the proposed loan.

Financial feasibility reports must be prepared by a qualified entity not having a direct interest in the management of the facility. The lender may prepare the feasibility study if qualified staff is available. The cost to prepare an independent feasibility report may be included in the loan.

The feasibility study should address the economic, market, technical, financial and management feasibility of the project. Guidelines for the preparation of feasibility reports are listed in Exhibit A and B of RD Instruction 3575-A (available in any Agency office).

SIGNIFICANT COMMUNITY SUPPORT

Significant community support is a critical factor in determining applicant eligibility since the project is to provide a function needed for orderly development of a rural community. It can also help augment the value of security in cases where the security value is less than the proposed loan. Evidence of significant community support may include:

1. Letters of support from organizations with ties to the community.
2. Broadly based representation on the board of directors.
3. Public funding.
4. Local contributions and participation.