

# 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 telecommunication 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

Community Programs Division

1400 Independence Avenue, SW.

Washington, D.C. 20250-0700

Telephone: (202) 720-1490

Fax: (202) 690-0471

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