



Committed to the future of rural communities.

RURAL HOUSING PROGRAMS

COMMUNITY FACILITIES GUARANTEED LOAN PROGRAM

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. USDA Rural Development can 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
- Hospitals, clinics, nursing homes, ambulatory care centers, etc.
Public Safety
- Police and fire stations, jails, fire and rescue vehicles, and communication centers.
Telecommunications
- Medical and educational telecommunication links.
Public Services
- Adult and child care centers, courthouses, senior centers, airports, schools, fairgrounds, jails, community buildings, etc.
Recreational Facilities
- Parks, health clubs, sports activity centers, ice & hockey rinks, golf courses, campgrounds, swimming pools, tennis courts, and sports arenas.

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.

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.
Guaranteed portion of loan does not count against legal lending limits.
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

Table with 2 columns: Description and Amount/Rate. Rows include: Amount of loan (\$1,000,000), Portion sold (80%) (\$ 800,000), Invested funds (\$ 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), Income - 10% on \$200,000 (\$ 20,000), Total income (\$ 28,000), Approximate yield on invested funds (14.00%).

Benefits For The Customer

- Customer is able to obtain timelier 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 its 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 reviews construction plans and environmental impact statements for the benefit of the Government.

For More Information

For more information contact your local USDA Rural Development Office or the USDA Rural Development State Office at:

USDA Rural Development
Attn: Community Program Division
Federal Building, Room 152
100 Centennial Mall North
Lincoln, NE 68508-3888
Phone: (402) 437-5556 (voice)

National Office Web site: <http://www.rurdev.usda.gov/rhs/>
Rural Development Toll Free: (800) 670-6553
Nebraska Rural Development Web site: <http://www.rurdev.usda.gov/ne>
Nebraska State Office Telephone Number: (402) 437-5551
Nebraska State Office Facsimile Number: (402) 437-5408
Nebraska State Office TDD Number: (402) 437-5093

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