



United States Department of Agriculture  
Rural Development

## GUARANTEED COMMUNITY FACILITY (CF) LOANS

[www.rurdev.usda.gov](http://www.rurdev.usda.gov)

**Program Goal:** Encourage the commercial financing of essential community development services in rural communities and towns of not more than 20,000, thereby:

- Improving the economical and environmental climate of rural communities.
- Strengthening rural infrastructure.
- Developing and improving health care, public safety, and public service facilities.

**Eligible Borrower Organization:** Non Profit Corporations, Native American Tribes, Cooperatives, Public Bodies.

### *The CF Guaranteed Program is Lender-driven*

Rural Development guarantees the loan rather than lending directly

- A commercial lender requests the CF guarantee, and if approved, it makes (and services the loan.)
- Federal guarantees (up to 90 percent) for lenders on their community development loans.
- The Community Facility Program is intended for a broad based, *viable community facility*, that can demonstrate lasting services and benefits to the entire community.

### Lender Benefits

- \* The guaranteed portion of the loan can be sold on the secondary market (e.g. Farmer Mac II).
- \* The guaranteed portion of the loan does not count against lending limits.
- \* The guaranteed portion of the loan is protected against loss by a Federal guarantee.
- \* CF guarantees help lenders satisfy Community Reinvestment Act (CRA) requirements.
- \* Loans are processed on lender forms.
- \* Prepayment penalties are allowed.

**Size of loans:** No loan limits, based on realistic project cost; no maximum loan limits.

**Interest Rate:** Interest rates and caps are negotiated by lender and borrower.

**Term:** Useful life of facility, statutory limitation on borrower organization, or a maximum 40 years.

**Payment Structure:** Reduced payments (interest only) may be scheduled up to a maximum of three years until the project is operable and has begun to generate income. Ordinary payments are scheduled to match revenue stream. *Balloons are not permitted.*

**Fees:** Lender's reasonable and customary fees-negotiated between lender and borrower. Rural Development *charges a one percent fee on the guaranteed portion of the loan.*

Web: <http://www.rurdev.usda.gov/or/>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."

To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800)795-3272 (voice) or (202) 720-6382 (TDD)

## **Authorized Loan Purposes (A partial listing):**

**Purchase or construction of Health Care Facilities, including hospitals, nursing homes, dental and medical clinics; Purchases of Medical Equipment; fire department buildings, fire and rescue vehicles, ambulances; Purchase or construction of Public facilities, including community buildings, courthouses, police stations, jails, libraries, community recreation facilities, schools, purchase of public works equipment, construct streets, roads and bridges, industrial parks sites, (only to the extent of land acquisition and necessary site preparation), architectural or engineering fees; Legal fees; rights-of-way and easement; Typically debt refinancing is not permitted unless it is a secondary purpose of the total project cost, and is deemed necessary to improve the viability of the project or security position.**

*Loan Guarantees can be used in conjunction with funds from other sources (e.g. Direct Loan funds, borrower contributions, state and local funds, community contributions, foundation grants).*

### **Ineligible Facilities/Purposes:**

**Projects involving tax-exempt notes or bonds, loan finders fees business and industrial buildings including their on-site systems.**

### **Loan Limitations**

**Construction loan funds should not be advanced until Rural Development has approved the loan guarantee. Although Rural Development will issue a conditional commitment, the guarantee itself will only be issued after the project has been substantially completed. USDA provides a guarantee on the permanent take out loan.**

### **Lender Eligibility:**

- **Any Federal or State chartered bank, mortgage company held by a bank or holding company, or State bond bank/pool.**
- **Lender must be subject to Government credit examination and in good standing.**
- **Have legal capacity to borrow, pledge security, construct, operate and maintain the facilities for the life of the loan.**

### **Security Requirements:**

**Loans will be secured by the best security position practicable to adequately assure repayment of the loan. Such loans will be secured by one or a combination of the of the following: Liens on real property and equipment, assessments, and assignment of assured income; or General Obligation, Revenue or assessment Bonds.**

**Note: Direct loans can be in second lien position if required to finance the project**

### **Lender's Special Requirements (with Agency Concurrence):**

- **Lender is responsible for determining credit quality and need for economic feasibility analysis.**
- **After the loan is closed and all funds are disbursed, financial reports are determined by the lender, including audit requirements.**
- **Lender is responsible for assuring project design and construction meets applicable Federal, State and Local codes and requirements.**
- **Lender is responsible in determining that borrower will maintain adequate insurance(s) and fidelity bond coverage for the life of the loan.**