



United States Department of Agriculture
Rural Development

USDA GUARANTEED WATER AND WASTEWATER LOANS

Purpose: Guaranteed loans may be made to develop water and wastewater systems, including solid waste disposal and storm drainage, in rural areas and to cities and towns with a population of 10,000 or less. Funds are available to public entities, such as municipalities, counties, special-purpose districts, and Indian tribes. In addition, funds may be made available to corporations operated on a not-for-profit basis. Guaranteed loans are made and serviced by lenders such as banks and savings and loan associations.

Priority: Priority will be given to public entities, in areas with less than 5,500 people, to restore a deteriorating water supply, or to improve, enlarge, or modify a water facility or an inadequate waste facility. Also, preference will be given to requests which involve the merging of small facilities and those serving low-income communities.

Other Credit: Lender must certify that credit is not available without a guarantee.

Loan Term: The maximum term for all loans is 40 years; however, no repayment period will exceed state statutes or the useful life of the facility. Balloons are not permitted.

Interest Rate: The interest rate is negotiated between the lender and the applicant and may be either a fixed or variable rate. A variable rate must be tied to a base rate published in a recognized financial publication. The rate may not be raised more than one percent per year and may not be adjusted more than five percent during the life on the loan.

Percent Guarantee: Normally guarantees will not exceed 80 percent on any loss of interest and principal on the loan.

Size of Loan: No loan limits.

Fees: A one-time fee charged the lender at the time the Loan Note Guarantee is issued. (1% x principal loan amount x percent of guarantee) The lender's loan fee should not exceed customary fees negotiated between the lender and applicant.

Environmental Requirements: The Agency will complete the environmental review.

Security: Loans will be secured by the best security position obtainable to protect the interest of the lender and the Government.

Program Limitations: Tax-exempt issues, recreation facilities, loan finder fees, and on-site utility systems for business and industrial buildings in connection with industrial parks. For construction projects, loan funds should not be advanced until the Agency has issued a conditional commitment. The guarantee is issued after the project has been completed. The guarantee is issued for the take out 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)

Eligible Lenders: Lenders subject to credit examination and supervision by a federal or state or other Farm Credit System institution with direct lending authority, or bank for cooperatives or agency such as:

- Bank or savings & loan.
- Mortgage company that is part of a bank or holding company.
- Farm Credit Bank.
- Insurance company regulated by the National Commissioner of Insurance Companies.
- Other lenders under federal or state credit examination and supervision, which have been approved by the RUS administrator.

Eligible Applicant:

- Public Bodies, Non-profit Corporations, Special Service Districts, Indian Tribes.
- Population not more than 10,000.
- Have the legal capacity to borrow, pledge security, construct, operate and maintain the facilities for the life of the loan.
- Be financially sound.
- Have loan repayment ability based on revenue, fees, taxes or assessments.
- Demonstrate the ability to successfully operate and manage the proposed facility.

Approval and Obligation of Funds: Form 449-14, “Conditional Commitment for Guarantee,” is prepared. The attachment to this form contains all conditions to be met before the loan can be closed and the guarantee issued. After reviewing the conditions and requirements of the Conditional Commitment, the lender would sign the acceptance of the conditions and return copy to RUS. The lender and applicant may prepare alternate conditions for consideration.

Construction:

- Specifications for design and construction will be approved by RUS.
- Lender will provide RUS with written certification at the end of construction that all funds were utilized for authorized purposes and RUS design policies have been met.
- The lender is responsible for monitoring construction and notifying RUS of any problems during construction.

Requirements before Loan Note Guarantee is Issued:

- There have been no major changes in loan since conditional commitment was issued.
- Property acquisitions & development have been substantially completed.
- The required insurance is in effect.
- Truth in lending requirements have been met.
- All equal opportunity and nondiscrimination requirements have been met.
- The loan has been properly closed.
- The borrower has marketable title to the collateral owned.
- Lien priorities are consistent with requirements of the conditional commitment.
- The loan proceeds have been properly disbursed.
- There has been no adverse change in the borrower’s financial condition.
- RUS must be notified of scheduled field inspections.
- The lender has executed and delivered Lenders Agreement.
- The lender has advised the Government of intentions to sell or assign any part of the loan. The lender must retain in its own portfolio a minimum of 5% of the total guaranteed loan amount.
- Approval of a substitution of a new eligible lender who holds an outstanding conditional commitment.
- Changes in terms and conditions in the conditional commitment.
- Loans involving bonds must have bond counsel closing opinion.

Loan Closing: (Some actions may not be required in all situations)

- RUS & lender will execute “Lenders Agreement.”
- RUS will execute “Loan Note Guarantee.”
- Provisions for the substitution of a Loan Note Guarantee.
- Selection of a multi-note system.
- Selection of new notes to replace previously issued notes.
- In the event the lender assigns the guaranteed portion of a loan to a holder, RUS will execute the Assignment Guarantee Agreement.
- If RUS cannot execute the Loan Note Guarantee the lender will be notified. If the lender is unable to satisfy RUS objections, the lender has special appeal rights.
- Lender will prepare and deliver a guaranteed loan closing report for each loan and deliver to RUS in exchange for the Loan Note Guarantee.
- RUS will execute the Lender’s Agreement, the Loan Note Guarantee, and the Assignment Guarantee Agreement.

Status Reports & Routine Servicing.

- Status Summary Report is generated by RUS each June 30 and December 31 and sent to lender. The lender updates the current balances and status of the account. The original of the form is returned to the Finance Office and a copy mailed to the RUS servicing office.
- Annual audited financial statements are analyzed by the lender and provided to RUS with the evaluation.
- The lender will conduct site visits to the borrower at least every three years.
- RUS will meet annually with each lender to review the lender’s servicing performance.

