



USDA

Rural
Development

Committed to the future of rural communities.

www.rurdev.usda.gov

USDA RURAL DEVELOPMENT

Community Facilities Guaranteed Loan Program

Partnering with USDA to Finance Rural Community Facilities

USDA's Rural Development (RD) program provides a credit enhancement to help finance community facilities in rural areas with a population of up to 20,000. Through the Community Facilities Guaranteed Loan Program, RD guarantees up to 90 percent of loss of principal and interest on loans or bonds made to develop or improve essential community facilities in rural areas. A broad range of community facilities are eligible for guaranteed loans. These include, but are not limited to:

Health Care

Clinics
Assisted Living
Hospitals

Educational

Schools

Fire, Rescue and Public Safety

Fire Stations
Rescue & Ambulance Services
Police Vehicle

Public Buildings

Community Centers
Food Preparation/Distribution

Eligible Lenders include Federal or State chartered banks, thrifts, the Bank for Cooperatives, National Rural Utilities Cooperative Finance Corporation, Farm Credit System, insurance companies regulated by a State or National insurance regulatory agency, and State bond banks or State bond pools. Eligible Lenders must be subject to credit examination and supervision by an appropriate agency of the United States or a State that supervises and regulates credit institutions. A Lender of Record must have the capacity

and authority to adequately service loans through maturity for which a guarantee is requested. Under some circumstances, nontraditional lenders may be deemed eligible to participate. Please contact your USDA Rural Development Office on how to apply for Lender eligibility determination.

Eligible applicants are municipalities, counties, special purpose districts, nonprofits, and tribal governments. Eligible nonprofits, which are broadly defined, must have significant ties to the local rural community, have a broad membership base, be controlled by members of the community, and have articles of incorporation and by-laws. Applicants must have the legal authority to borrow and repay loans, pledge security for loans, and construct, operate, and maintain facilities. They must also have the ability to manage the facilities effectively.

Lender Benefits:

Up to 90 percent guarantee against loss; reduction in capitalization requirements; loans may be sold on the secondary market through an assignment of guarantee, increasing the Lender's return on investment; lenders use their own forms, loan documents, and security instruments; no maximum loan limit—the amount is determined based upon project

feasibility, repayment ability, and reasonable project cost; only a onetime 1% guarantee fee assessed against the guaranteed portion; no annual renewal fee; rates and terms are negotiated between the Lender and the borrower; typically, loan approval occurs 30-60 days after the receipt of a completed application.

Typical Application Process:

Step 1: Lender and Borrower submit joint pre-application.
Step 2: RD makes preliminary eligibility determination and addresses any environmental issues.
Step 3: Lender and Borrower submit application.
Step 4: RD conducts a financial credit evaluation and environmental assessment.
Step 5: If the application meets the program guidelines, the request is approved and a "Conditional Commitment for Guarantee" is sent to the lender.
Step 6: Lender provides interim construction financing.
Step 7: Once construction is complete and all of the conditions have been met, the lender requests the Loan Note Guarantee.
Step 8: Rd verifies that conditions are met and issues Lone Note Guarantee.

Product Type	Primarily a commercial real estate loan but can also be used for fixtures, furniture, and equipment. Banks typically assign responsibility for the community facility program to a commercial real estate department or government lending department. RD is not involved in the construction phase of a project unless direct loan funds are included in the permanent financing of the project.
Lender Eligibility	Eligible Lenders of Record include Federal or State chartered banks, thrifts, the Bank for Cooperatives, National Rural Utilities Cooperative Finance Corporation, Farm Credit System, insurance companies regulated by a State or National insurance regulatory agency, and State bond banks or State bond pools. Eligible Lenders of Record must be subject to credit examination and supervision by an appropriate agency of the United States or a State that supervises and regulates credit institutions. A Lender of Record must have the capacity and authority to adequately service loans through maturity for which a guarantee is requested. Under some circumstances, non-traditional lenders may be deemed eligible to participate. Please contact your USDA Rural Development Office on how to apply for Lender of Record eligibility determination.
Lender Roles	The Community Facilities Guaranteed Loan program is lender-driven. The Lender of Record makes the application and, if approved, makes and services the loan. In addition to making guaranteed loans, lenders may provide interim construction financing for RD Direct Lending.
Underwriting	All projects financed must be based on revenues, taxes, assessments, fees, or other sources of revenues in an amount sufficient to provide for facility operation and maintenance, a reasonable reserve, and debt payment. The lender is responsible for determining the credit quality and economic feasibility of the proposed loan and must address all elements of the credit quality in a written analysis which includes adequacy of equity, cash flow, security, history, and management capabilities.
Lender Requirements	The lender must retain a minimum of 5% of the total loan amount. This amount must be part of the unguaranteed portion of the loan. The lender is responsible for servicing the loan.
Repayment	The repayment period is limited to the useful life of the facility, but the maximum term for all loans in the community facilities program is 40 years. (Guaranteed community facilities real estate loans tend to be for 15 to 20 years, while loans for fixtures, furniture, and equipment tend to be for 5 to 10 years). Loan repayment must be based on tax assessments, revenues, fees or other sources sufficient for the operation and maintenance, reserves, and debt retirement. Financial feasibility studies prepared by an independent consultant are normally required for start-up facilities or those that will result in a significant change in the borrower's financial operations.
Security	The lender determines acceptable security, which is approved by RD. Such security can include real estate, equipment, accounts receivable, and assured income. Tax-exempt notes or bonds cannot be used for guarantee. If the real estate appraised value is less than the loan amount, RD is willing to guarantee a loan based on sound security, repayment ability, and financial projections.
Guarantee	Guarantees are backed by the full faith and credit of the U.S. government and can be sold on the secondary market. They are issued by the Rural Housing Service of USDA Rural Development; the agency pays cash in the event of a loss. Guarantees cover up to 90% of any loss of principal or interest. The guarantee fee which is 1% of the guaranteed portion of the loan, is paid by the lender and may be passed on to the borrower.
Documentation	Loans are primarily processed on the lender's forms. The lender determines financial-reporting requirements. If a pre-application is submitted, a borrower provides historical financial statements, financial projections, organizational documents, information on existing debt, budgets, site information, information on potential environmental issues that may affect project viability, and evidence of public support. A bank provides an application for federal assistance and certification of the need for a guarantee. If a full application is submitted, the bank provides an application for loan guarantee, a proposed security package, environmental information, and its credit analysis. The borrower provides cost estimate, copies of permits, certifications, and recommendations of appropriate regulatory agencies, financial feasibility reports, and preliminary engineering and architectural reports.
Applicant Requirements	Eligible applicants are municipalities, counties, special purpose districts, nonprofits, and tribal governments. Eligible nonprofits, which are broadly defined, must demonstrate significant community support and have significant ties to the local rural community, have a broad membership base, be controlled by members of the community, and have articles of incorporation and by-laws. Applicants must have the legal authority to borrow and repay loans, pledge security for loans, and construct, operate, and maintain facilities. They must also have the ability to manage the facilities effectively.
Pre-Application for Early Feedback	Applicants and Lenders that are interested in using the program may submit a pre-application to determine project and applicant eligibility. RD will recommend that a full application be prepared if the project appears to be eligible. Lenders of Record may choose to submit a complete application instead of a pre-application; however, through the pre-application process, USDA can work with the lenders and applicant much earlier in the overall timeline to provide assistance with the regulations and processes.

Application Forms	<p>SF 424.2 Application for Federal Assistance (Pre-application)</p> <p>RD 1940-20 Request for Environmental Information</p> <p>RD 3575-1 Application for Loan and Guarantee (Complete Application)</p>
Approval Forms	<p>RD 449-14 Conditional Commitment for Guarantee</p> <p>RD 1940-3 Request for Obligation of Funds - Guaranteed Loans</p>
Closing Forms	<p>RD 449-34 Loan Note Guarantee</p> <p>RD 449-35 Lender's Agreement</p> <p>RD 1980-19 Guaranteed Loan Closing Report</p>
Servicing Forms	<p>RD 1980-41 Guaranteed Loan Status Report</p> <p>RD 449-30 Loan Note Guarantee-Report of Loss</p> <p>RD 449-36 Assignment Guarantee Agreement</p> <p>RD 1980-44 Guaranteed Loan Borrower Default Status</p>
All Forms	<p>For all forms, visit our web site at http://forms.sc.egov.usda.gov/eforms/formsearchservlet</p> <p>Or: http://www.rurdev.usda.gov/regs/formstoc.html#1900</p>

Contact the USDA Rural Development National Office in Washington, DC. (202) 720 – 1490 or one of our State Offices:

Alabama State Office
Montgomery, AL
(334) 279-3400

Alaska State Office
Palmer, AK
(907) 761-7705

Arizona State Office
Phoenix, AZ
(602) 280-8701

Arkansas State Office
Little Rock, AR
(501) 301-3200

California State Office
Davis, CA
(530) 792-5800

Colorado State Office
Lakewood, CO
(720) 544-2915

**Delaware and Maryland
State Office**
Dover, DE
(302) 857-3580

Florida State Office
Gainesville, FL
(352) 338-3400

Georgia State Office
Athens, GA
(706) 546-2162

Hawaii State Office
Hilo, HI
(808) 933-8380

Idaho State Office
Boise, ID
(208) 378-5600

Illinois State Office
Champaign, IL
(217) 403-6200

Indiana State Office
Indianapolis, IN
(317) 290-3100

Iowa State Office
Des Moines, IA
(515) 284-4663

Kansas State Office
Topeka, KS
(785) 271-2700

Kentucky State Office
Lexington, KY
(859) 224-7300

Louisiana State Office
Alexandria, LA
(318) 473-7921

Maine State Office
Bangor, ME
(207) 990-9160

**Massachusetts, Connecticut,
and Rhode Island State Office**
Amherst, MA
(413) 253-4300

Michigan State Office
East Lansing, MI
(517) 324-5190

Minnesota State Office
St. Paul, MN
(651) 602-7800

Mississippi State Office
Jackson, MS
(601) 965-4316

Missouri State Office
Columbia, MO
(573) 876-0976

Montana State Office
Bozeman, MT
(406) 585-2580

Nebraska State Office
Lincoln, NE
(402) 437-5551

Nevada State Office
Carson City, NV
(775) 887-1222

New Jersey State Office
Mt. Laurel, NJ
(856) 787-7700

New Mexico State Office
Albuquerque, NM
(505) 761-4950

New York State Office
Syracuse, NY
(315) 477-6400

North Carolina State Office
Raleigh, NC
(919) 873-2000

North Dakota State Office
Bismarck, ND
(701) 530-2037

Ohio State Office
Columbus, OH
(614) 255-2500

Oklahoma State Office
Stillwater, OK
(405) 742-1000

Oregon State Office
Portland, OR
(503) 414-3300

Pennsylvania State Office
Harrisburg, PA
(717) 237-2262

Puerto Rico State Office
Hato Rey, PR
(787) 766-5095

South Carolina State Office
Columbia, SC
(803) 765-5163

South Dakota State Office
Huron, SD
(605) 352-1100

Tennessee State Office
Nashville, TN
(615) 783-1300

Texas State Office
Temple, TX
(254) 742-9700

Utah State Office
Salt Lake City, UT
(801) 524-4324

**Vermont and New Hampshire
State Office**
Montpelier, VT
(802) 828-6000

Virginia State Office
Richmond, VA
(804) 287-1550

Washington State Office
Olympia, WA
(360) 704-7740

West Virginia State Office
Morgantown, WV
(304) 284-4860

Wisconsin State Office
Stevens Point, WI
(715) 345-7600

Wyoming State Office
Casper, WY
(307) 233-6700



Committed to the future of rural communities.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the bases of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact the USDA's TARGET Center at 202/720-2600 (voice and TDD).

To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.