

Community Facilities Guaranteed Loan Program: For Borrowers

PURPOSE

The purpose of the program is to guarantee loans to develop essential community facilities in rural villages, cities and towns of 20,000 or less in population. Rural Development can guarantee loans made to and serviced by lenders such as banks, savings and loans, and mortgage companies that are part of bank holding companies, members of the Farm Credit System, or insurance companies regulated by the National Association of Insurance Commissioners. Also, Rural Development may guarantee up to 90 percent of any loss of interest or principal on the loan.

ELIGIBLE APPLICANTS

Eligible applicants include nonprofit corporations, Native American Tribes, cooperatives, and public bodies, such as cities, villages, towns, counties, and special-purpose districts.* 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 also must also be financially sound and able to organize and manage the facility effectively.

* cannot guarantee tax exempt credit

ESSENTIAL COMMUNITY FACILITY

An essential community facility is defined as a facility that provides an essential service to the local community, is needed for the orderly development of the community, serves a primarily rural area, and does not include private, commercial, or business undertakings.

ELIGIBLE USES

Loans may be used to construct, enlarge, or improve community facilities for health care, public safety, and public services and purchase major equipment.

APPLICATION INFORMATION

Lender and borrower complete the application together, and the lender submits the application. Required documentation includes: application form, financial statements (historical and projected), organizational documents, budgets, existing debt instruments, site information, environmental information, evidence of public support, proposed rates and terms, and lender's credit analysis.

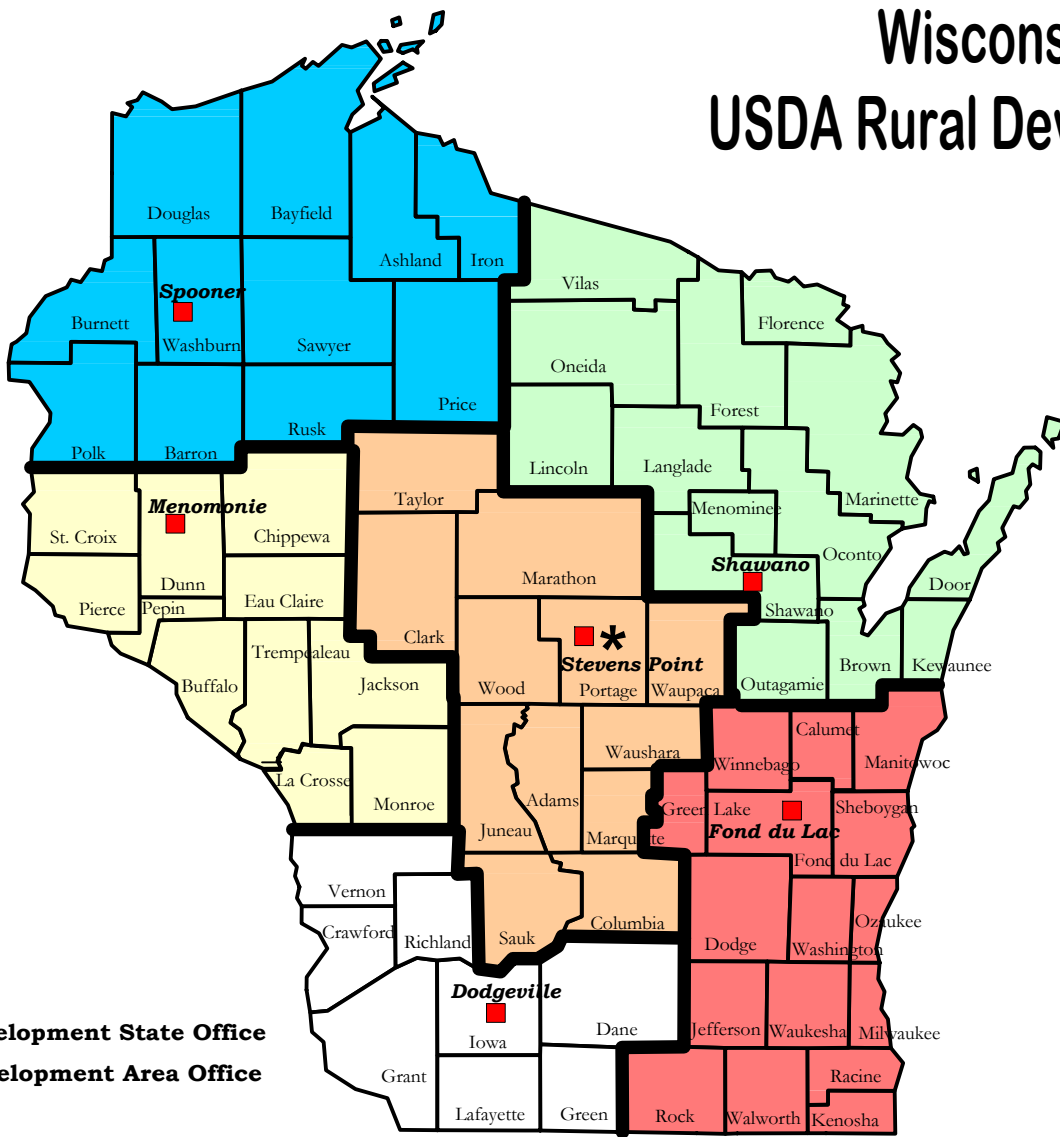
PROJECT EXAMPLES

Hospital · clinic · nursing home · private colleges
charter school · HeadStart center · sports arena
child care center · pre-school · police/fire station
courthouse · library · vehicles & equipment ·
fairgrounds · food bank · park · jail · city hall
community center · homeless shelter · animal
shelter · street improvements · marina · health
club · adult day care · airport · museum
recreational facility · outdoor theater · railroad
campground · food distribution center · docks

PROGRAM ADVANTAGES

- Non-profits and cooperatives are eligible
- You choose your lender
- Guarantee for up to 100% of the project costs, except packaging fees
- No maximum loan limits; lender determines loan amount based on project feasibility, project costs, and cash-flow
- Loans can be leveraged in conjunction with other private/public funding sources
- Low or no down payment is possible
- No tangible balance sheet equity test
- Lender does analysis and underwriting of loan; Rural Development reviews/concurs
- Security package may collateralize loan and include asset being financed (real estate and improvements, furniture, equipment); pledge of taxes; assignment of insured income; significant community support
- Better interest rates
 - Flexible terms allow banks to extend long-term loans to their customers
 - Potential for fixed interest rate loans due to ability to sell on secondary market
 - Lenders who price interest rates by factoring in risk may offer better rates
- Proper credit structure for intermediate and long-term assets
 - Match loan terms to expected life of asset
 - Fully amortized loans – balloon payment notes or renewable notes are not allowed
- Benefits result in overall improved cash flow and debt service coverage for borrower

Wisconsin USDA Rural Development



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