

USDA RURAL DEVELOPMENT
Guaranteed Community Facility Loan Program
RD Instruction 3575-A

Guaranteed Program is lender-driven: Rural Development guarantees the loan rather than lending funds directly. A commercial lender requests the Community Facility (CF) guarantee, and if approved, the lender makes and services the loan. The percentage of guarantee, up to the maximum allowed, is a matter for negotiation between the lender and the Agency. The maximum guarantee is 90 percent of eligible loss. The lender must retain a minimum of 5 percent of the total loan amount, from the portion that is not guaranteed.

Lender Benefits

- Great public relations- allows a commercial lender to participate in and support their community by funding local community projects.
- Guaranteed loans help lenders satisfy Community Reinvestment Act (CRA) requirements.
- Variable-rate loans may be used to reduce lender risk from interest fluctuation.
- Flexible terms allow lenders to extend longer term loans to their customers.
- Lenders use own Promissory Notes, Loan Agreement, and Security Instruments.
- Lender's risk of loss is reduced by the percent of loan guarantee.
- The guaranteed portion of the loan can be sold on the secondary market.
- The guaranteed portion of the loan does not count against legal lending limits.

Size of Loans

The amount of the loan is based on project feasibility, reasonable project cost and cash-flow.

Eligibility Requirements:

Applicant must be a public entity, nonprofit organization, or a Federally recognized Indian Tribe. A nonprofit organization must have significant ties to the local rural community. The proposed project must be located in a rural community or incorporated city of 20,000 or less in population and serve primarily rural residents. The applicant must have the legal capacity to borrow, pledge, construct, operate and maintain the proposed facility. The applicant must also be financially sound and document they have repayment ability and the ability to operate and manage the proposed facility.

Interest Rates, Terms, Payment Structure, and Fees:

Rate: Lender's customary interest rate for similar projects--negotiable between lender and applicant. Fixed or variable (must be tied to a published base rate and not increased more often than quarterly).

Terms: Useful life of facility or equipment, statutory limitation or maximum 40 years, whichever is less.

Structure: Monthly principal and interest payments will be required. **Balloon payments are NOT permitted.** Reduced payments (interest only) may be scheduled up to a maximum of two years until the project is operable and has begun to generate sufficient income.

Fees: Lender's reasonable and customary fees. These are negotiated between the lender and applicant.***Rural Development charges a one time one-percent fee on the guaranteed**

portion of the loan. This fee is assessed at closing and can be passed on to the borrower and included in the loan.

Authorized Loan Purposes:

To construct, enlarge, extend or otherwise improve essential public community facilities including but not limited to: Hospital, Medical Clinic, Assisted Living Facility, Nursing Home, Daycare, Public Charter School and other facilities that offer Health, Educational, Social or Cultural Services. Loan funds may also be used for major items of equipment for the above facilities.

Security Requirements:

The lender must propose an adequate security package and is responsible for maintaining proper and adequate security to protect the interest of the lender and the Government.

Tax exempt bonds may **NOT** be issued in conjunction with a CF Guarantee Loan

For Further Information: Contact the Rural Development Area Office serving your area:

Harrison Office at 870-741-4050 – Johnny James

Jonesboro Office at 870-972-4720, Ext. 5 – Raymon Covey

Forrest City Office at 870-633-3055, Ext. 5 – Gregory Dale

Monticello Office at 870-367-8400, Ext. 5 – Mable Gibbs or Stephen Horsman

Hope Office at 870-777-8800, Ext. 5 – Dana Wrinkle or David Stowers

Fort Smith Office at 479-646-8300, Ext. 5 – Gary Osborne

If you have questions you may also contact Stephen Lagasse (Stephen.Lagasse@ar.usda.gov) or David Kirchner (David.Kirchner@ar.usda.gov) in the State Office at 501-301-3265.

Additional information on USDA Rural Development programs and related forms can be obtained at the following website:

http://www.rurdev.usda.gov/rhs/cf/CFG/CFG_Overview.html

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