USDA Community Facilities
(CF)
Guaranteed Loan Program
CF Program

• To Build Stronger, More Vibrant Rural Communities Across The Nation By Ensuring That Community Facilities Are Readily Available To All Rural Americans

• Administered By The Rural Housing Service (RHS) Of USDA Rural Development

• Designed To Be Used In Rural Areas Where The Population Is No Greater Than 20,000 Inhabitants.
Benefits To Participating Lenders

- Full Faith And Credit of The U.S. Government Up To A 90% Guaranty
- Provided Increased Liquidity & Earnings Through Secondary Market Sales
- Lenders Can Provide Financing in Excess of Normal Statutory Lending Limits
- Guarantee Reduces The Lender’s Reliance On Collateral Coverage & Concentration Of Credit
- Loans May Be Used For CRA Requirements
Eligibility Criteria

• Rural Areas Where The Population Is No Greater Than 20,000 Inhabitants
Eligible Borrowers

- Public Entities
- Non-profit Organizations
- Federally Recognized Indian Tribes
Eligible Loan Purposes

• To Construct, Enlarge, Or Improve Community Facilities For Health Care, Public Safety, And Public Services

• Includes Costs To Acquire Land Needed For A Facility, Pay Necessary Professional Fees, And Purchase Equipment Required For Its Operation
Types Of Projects Financed

• Health Care
  - Hospitals, Clinics, Nursing Homes, Rehabilitation Centers

• Public Safety
  - Police And Fire Stations, Jails, Communication Centers, Rescue Vehicles

• Education
  - Schools, Child Care Centers, College Classrooms And Dormitories

• Public Services
  - Libraries, Courthouses, Airports, Museums
Maximum Loan Amount

• Generally Limited To A Maximum Of $25 Million Per Borrower With National Office Authority; The National Average Is $2 Million
Loan Guarantee Limits

- Guaranty Limits Range From 80% To A Maximum Of 90%
Collateral

• Lender Determines Acceptable Security
  - Real Estate
  - Equipment
  - Accounts Receivable
  - Assured Income

• Loan Need Not Be Fully Secured!
Maximum Repayment Terms

• Limited To The Useful Life Of The Facility, But Maximum Term For All Loans Is 40 Years

• Must Be Based On Tax Assessments, Revenues, Fees Or Other Sources Sufficient For The Operation And Maintenance, Reserves, And Debt Retirement

• Financial Feasibility Studies Normally Required For Start-up Facilities
Fees and Costs

- One-time Guaranty Fee Of 1% Of The Guaranteed Portion Of The Loan Must Be Paid By The Lender And May Be Passed On To The Borrower
Interest Rate

- Fixed Or Variable Alternatives
- Negotiated Between Lender And Borrower
- If Variable, Any Published Index May Be Used
- Interest Rate Floors And Ceilings Allowed
Servicing Requirements

• Bank Not Required To Retain Servicing Income

• Bank Only Required To Retain 5% Of Outstanding Credit

• Annual Financials, Spreads, And Lenders Analysis To USDA

• Annual Borrower Site Visit / Management Meeting
Prepayment Penalties

• Prepayment Penalties Are Allowable

• Industry Standard is 5-4-3-2-1; 10-Year Declining Penalty Is Typically The Market Limit

• USDA Imposes No Limits On Prepayment Penalties
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