



## Community Facilities Guaranteed Loan Program

### What is the OneRD Guarantee Loan Initiative?

USDA has removed unnecessary regulations to increase private investment in rural businesses and economic development projects and to improve customer service within four flagship loan guarantee programs. The Agency implemented a standard set of requirements, processes and forms for these programs. Only lenders are eligible to apply. The programs are:

### Fiscal Year 2024

### FY 2024 Annual Notice for Guarantee Fees and Rates

Ahead of Fiscal Year 2024, USDA released fees and guarantee percentages that will apply to the four loan guarantee programs critical to supporting investments in rural businesses, infrastructure and community development. The fees in this notice are effective October 1, 2023.

Find out if a community is a distressed community, click the button below.

### Distressed Community Lookup

Fiscal Year 2024 obligations, remaining balances and number of applications to date by program. Updated - November 14, 2023

Program	Funding	Funds Obligated YTD	Funding Status - Remaining Balances	Total Loan Amounts of Pending Guarantee Requests
Business & Industry Guaranteed Loan (1% +3%)	\$499,993,534	\$182,595,338	\$317,398,196	\$1,758,545,777
Rural Energy for America Guaranteed Loan Program	\$2,622,000	\$0	\$2,622,000	\$508,133,010
Community Facilities Guaranteed Loan Program	\$500,000,000	\$63,216,644	\$436,783,356	\$103,995,693
Water and Waste Disposal Guaranteed Loan Program	\$6,555,000	\$0	\$6,555,000	\$0

### Overview

## **What does this program do?**

This program provides loan guarantees to eligible lenders to develop essential community facilities in rural areas. An essential community facility is defined as a public improvement, operated on a non-profit basis, needed for the orderly development of a rural community where the rural community is a city or town, or its equivalent county or multi-county area. The term “facility” refers to both the physical structure financed, and the resulting service provided to rural residents or rural businesses.

## **Who may apply for this program?**

Lenders who have the legal authority, financial strength and sufficient experience to operate a successful lending program. This includes lenders that are subject to supervision and credit examination by the applicable agency of the United States or a State, including:

- Federal and State chartered banks
- Farm Credit Banks with direct lending authority
- Bank for Cooperatives
- Savings and Loan Associations
- Savings banks
- Mortgage companies that are part of a bank-holding company
- The National Rural Utilities Cooperative Finance Corporation
- Credit unions
- State Bond Banks or State Bond Pools

Other non-regulated lending institutions may also be approved by the Agency under the criteria of the OneRD regulation.

Who may qualify for these loan guarantees?

Eligible borrowers are:

- Public bodies
- Indian tribes on Federal and State reservations
- Federally-recognized Tribes
- Non-profit organizations

Additional entities may be eligible for other types of loan guarantees under the [OneRD Guarantee Loan Initiative](#).

What is an eligible area?

- Rural areas with populations of 50,000 residents or less, which excludes certain populations pursuant to 7 U.S.C. 1991(a)(13)(H)\*, based on the latest decennial census

of the United States and not in the urbanized area contiguous and adjacent to that city or town.

- The lender may be located anywhere in the United States.
- Check an [eligible rural area](#).

*\* Exclusion of incarcerated populations. Populations of individuals incarcerated on a long-term or regional basis shall not be included in determining whether an area is "rural" or a "rural area".*

How may funds be used?

Each year the Agency will reserve funds for projects located in rural areas with a population of not more than 20,000 inhabitants based on the following reservation of funds schedule:

1. 100% of the first \$200,000,000 made available
2. 50% of the next \$200,000,000 made available
3. 25% of all amounts exceeding \$400,000,000 made available

Funds can be used to construct, enlarge, extend or otherwise improve essential community facilities. Guarantee funds can also be used for refinancing the debt of an essential community facility.

Examples of essential community facilities include:

- Health care facilities and services, including but not limited to hospitals
- Fire, rescue, and public safety facilities and services
- Community, public, social, educational, or cultural facilities or services
- Transportation facilities such as streets, bridges, roads, ports, and airports
- Certain utility projects when not eligible for Rural Utilities Service financing, gas distribution systems, recycling and transfer centers or stations
- Telecommunications end-user equipment when related to public safety, medical, or educational telecommunication links when not eligible for Rural Utilities Service financing
- Water infrastructure facilities such as levees, dams, reservoirs, inland waterways, canals, and irrigation systems
- Purchase and installation of renewable energy systems for use by an essential community facility (conditions apply)
- Land acquisition and necessary site preparation including access ways and utility extensions to and throughout an industrial park site
- Community parks, community activity centers, and similar types of facilities

For a complete list see Code of Federal Regulations [7 CFR 5001.103\(a\) and 5001.121\(a\)](#).

What may loan guarantee funds NOT be used for?

- Lines of credit
- Owner-occupied and rental housing
- Golf courses or golf course infrastructure
- Racetracks or gambling facilities
- Facilities used for inherently religious activities
- Projects that create, directly or indirectly a conflict of interest
- Inherently commercial enterprises

For a complete list see Code of Federal Regulations [7 CFR 5001.115, 5001.116, and 5001.122.](#)

What Collateral Is Required?

The lender is responsible for obtaining and maintaining proper and adequate collateral for the guaranteed loan. All collateral must secure the guaranteed loan. The lender should discount collateral consistent with sound loan-to-discounted value practices which must be adequate to secure the guaranteed loan. The lender will determine the market value of the collateral with an appraisal.

What is the maximum amount of a loan guarantee?

The loan guarantee percentage is published annually in a Federal Register notice. CF loan guarantees approved in Fiscal Year 2024 will receive an 80 percent guarantee.

What is the maximum loan amount?

The maximum amount of a guaranteed loan is \$100 million. The loan amount includes the guaranteed and unguaranteed portion. It also includes the balance of any existing CF guaranteed loans and the new CF guaranteed loan request.

What are the loan terms?

The lender, with Agency concurrence, will establish and justify the guaranteed loan term based on the use of guaranteed loan funds, the useful economic life of the assets being financed and those used as collateral, and the borrower's repayment ability. The loan term will not exceed 40 years.

What are the interest rates?

- Interest rates are negotiated between the lender and borrower.
- Rates may be fixed or variable.
- Variable interest rates may not be adjusted more often than quarterly.

What are the applicable fees?

- There is an initial guarantee fee, currently 1.25 percent of the guaranteed amount.
- There is a guarantee retention fee, currently 0.5 percent of the outstanding principal balance, paid annually
- There is a fee for the Issuance of Loan Note Guarantee Prior to Construction of 0.5 percent.
- Reasonable and customary fees for loan origination are negotiated between the borrower and lender.

What are the underwriting requirements?

- The lender will conduct a credit evaluation using credit documentation procedures and underwriting processes that are consistent with generally accepted prudent lending practices and also consistent with the lender's own policies, procedures and lending practices.
- The lender's evaluation must address any financial or other credit weaknesses of the borrower and project and discuss risk mitigation requirements.
- The lender must analyze all credit factors to determine that the credit factors and guaranteed loan terms and conditions ensure guaranteed loan repayment.
- Credit factors to be analyzed include but are not limited to character, capacity, capital, collateral, and conditions.

Are there additional requirements?

- Applicants must have legal authority to construct, operate, and maintain the proposed facilities and services and to obtain, give security for, and repay the proposed loan
- Applicants must be unable to finance the project from their own resources or through commercial credit at reasonable rates and terms
- Applicants must provide evidence of significant community support
- Non-profit organizations must have significant ties to the project service area
- Tax exempt financing cannot be guaranteed by this program
- Facilities must be for public use and serve the rural area where they are /will be located
- Lender is responsible for becoming familiar and ensuring compliance with Federal Environmental requirements

Who will service the loan?

The lender is responsible for servicing the entire loan and taking all servicing actions that a reasonably prudent lender would perform in servicing its own portfolio of loans that are not guaranteed.

## How do we get started?

- Applications are accepted from lenders through [USDA local offices](#) year-round.
- Interested borrowers should inquire about the program with their lender.
- Lenders interested in participating in this program should contact the [USDA Rural Development Community Programs Director in the state](#) where the project is located.

## Who can answer questions?

Contact the local Rural Development office that serves your area.

## What governs this program?

- Code of Federal Regulations, [7 CFR 5001](#).
- [OneRD FY2024 Annual Notice](#)

**NOTE:** Because citations and other information may be subject to change please always consult the program Instructions listed in the section above titled "What Law Governs this Program?" You may also contact your local office for assistance.

## To Apply

**NOTE:** Please ensure that your state is selected in the dropdown menu above to find the [State Office contact information](#) and speak to a Community Programs Specialist before attempting to fill out any forms or applications. This will save you valuable time in your application.

## Interest Rates:

Interest rates are negotiated between the lender and the borrower, subject to USDA approval.

## Other Requirements

Individual states may have particular requirements based on state and local regulations. Please select your state in the dropdown menu above to find your local contact for this program.

Rural Development environmental requirements can be found here: [RD 1970 Environmental Policies and Procedures](#). Benefits of the 1970 environmental regulations are described here: [7 CFR 1970 Benefits](#).

There are no other additional requirements at the national level. If there are additional state-specific requirements they will be listed above.

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