



## Community Facilities Guaranteed Loan Program Program 101

### Printable Version

**Program Status:** Open

### What does this program do?

This program provides loan guarantees to eligible private lenders to help build essential community facilities in rural areas. An essential community facility is defined as a facility that provides an essential service to the local community for the orderly development of the community in a primarily rural area, and does not include private, commercial or business undertakings.

### Who may apply for this program?

Private lenders may apply for a loan guarantee on loans made to an eligible borrower that is unable to obtain the needed commercial credit on reasonable terms without the guarantee. □

Eligible borrowers:

- Public bodies
- Community-based non-profit corporations
- [Federally-recognized Tribes](#)

### What is an eligible area?

Rural areas including cities, villages, townships and towns including Federally Recognized Tribal Lands with no more than 20,000 residents according to the latest [U.S. Census Data](#) are eligible for this program.

### How may funds be used?

Funds can be used to purchase, construct, and / or improve essential community facilities, purchase equipment and pay related project expenses.

Examples of essential community facilities include:

- Health care facilities such as hospitals, medical clinics, dental clinics, nursing homes or assisted living facilities
- Public facilities such as town halls, courthouses, airport hangers or street improvements
- Community support services such as child care centers, community centers, fairgrounds or transitional housing
- Public safety services such as fire departments, police stations, prisons, police vehicles, fire trucks, public works vehicles or equipment
- Educational services such as museums, libraries or private schools
- Utility services such as telemedicine or distance learning equipment
- Local food systems such as community gardens, food pantries, community kitchens, food banks, food hubs or greenhouses

For a complete list see Code of Federal Regulations [7 CFR 3575.24](#).

### What are the terms of a loan guarantee?

- Maximum guarantee = 90% of the eligible loan
- One-time guarantee fee = 1% of principal loan amount times the % of guarantee
- Repayment term: useful life of the facility, state statute or 40 years, whichever is less and is negotiated between the lender/borrower, subject to USDA approval
- Interest rates: fixed or variable as negotiated between the lender/borrower, subject to USDA approval
- Loan note guarantee issued upon project completion/when conditions are met
- Combination of guaranteed loans, direct loans, grants and commercial financing may be used to finance one project if all eligibility and feasibility requirements are met
- Balloon payments and renewable notes are prohibited

### Are there additional requirements?

- Applicants must have legal authority to borrow money, obtain security, repay loans, construct, operate, and maintain the proposed facilities
- Applicants must be unable to finance the project from their own resources and/or through commercial credit at reasonable rates and terms
- Tax exempt financing is not eligible for this program
- Lender responsible for determining credit quality and economic feasibility of proposed loan; adequacy of equity, cash flow, security, history and management capabilities
- Facilities must serve rural area where they are /will be located
- Project must demonstrate substantial community support
- Environmental review must be completed/acceptable

### Who will service the loan?

The private lender that makes the loan will service the loan.

### How do we get started?

- Lenders: contact your local RD office for details on how to become an approved lender
- Borrowers: ask your private lender if they participate in USDA Loan Guarantee Programs
- Applications for this program are accepted year round
- Program resources are available online (includes forms needed, guidance, certifications)

### Who can answer questions?

Contact your [local RD office](#).

### What governs this program?

[Code of Federal Regulation, 3575 Subpart A](#).

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.

## Forms & Resources

**NOTE:** If state specific forms are not shown above, 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.

## Engineering

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.

## Environmental

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](#).

## Architect

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.

## Interest Rates

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