

Community Facilities Loan Guarantees

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 nonprofit 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, to purchase equipment, and to pay related project expenses.

Examples of essential community facilities include:

- Healthcare 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, Part 3570.62](#).

What are the terms of a loan guarantee?

- Maximum guarantee = 90 percent of the eligible loss
- One-time guarantee fee = 1.5 percent of the principal loan amount times the percentage of guarantee
- Annual renewal fee = .5 percent of the outstanding principal as of December 31st times the percentage of guarantee.
- **Repayment term:** useful life of the facility, state statute or 40 years, whichever is less and is negotiated between the lender and borrower, subject to USDA approval
- **Interest rates:** fixed or variable as negotiated between the lender/borrower, subject to USDA approval
- Loan note guarantee is issued upon project completion or 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 the rural area where they are or will be located
- Project must demonstrate substantial community support
- Environmental review must be completed and 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?

[Fees and Population FY20 Notice](#)

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

[Stakeholder Announcement](#)

NOTE: Because citations and other information may be subject to change, please always consult the program instructions listed in the section above titled “What Governs This Program?” You may also contact your local office for assistance. You will find additional forms, resources, and program information at rd.usda.gov. USDA is an equal opportunity provider, employer, and lender.