



Community Facilities

clark.thomas@mo.usda.gov

Direct Loan
Guaranteed Loan
Grant Program

Eligibility

A dark blue background with a faint, stylized image of two hands shaking, symbolizing agreement or partnership.

Eligibility requirements apply to CF
direct and guaranteed loans, and CF
grants

Where?

Eligible Rural Areas

Cities, towns with populations of 20,000 or less according to the latest decennial census of the United States.

Eligible Rural Areas

- There is no limitation placed on population in unincorporated rural areas.
- Projects must **primarily** serve rural residents.

What Is An Essential Community Facility ?

- Provides an essential service to the local community - the service must be a function customarily provided by a local unit of government.
- Must be a public improvement needed for the orderly development of a rural community.

What Is An Essential Community Facility?

- Does not include private affairs, commercial or business undertakings (*except for limited authority for industrial parks*)
- All facilities must be for public use
Exception: *YMCA, YWCA, Boy Scouts, Girl Scouts, and Camp Fire Girls*

What Is An Essential Community Facility?

- It must primarily serve and benefit rural residents and communities (no urbanization restrictions)
- The facility is the physical structure and the service to be provided.

An Eligible Facility Must Be:

- Able to demonstrate significant community support.
(N/A for public bodies)
- We pay special attention if the Board of Directors of a Not-For-Profit is self-perpetuating and not elected by the membership. Sometimes we can work around it sometimes we cannot.

Who Is Eligible To Participate?

Eligible Applicants

1. Public Bodies
2. Nonprofit Organizations
3. Indian Tribes

Eligible Nonprofit Corporations

**Must have significant ties to local
community**

- Close association with, or controlled by a local unit of government
- Broadly-based community representation
- Substantial public funding

Significant Ties

- Substantial public funding through:
 - taxes
 - revenue bonds
 - other local government sources
 - community-wide fundraising campaign
 - existing project can meets 5-5 criteria
 - brand new project we like to look at 20%

OTHER CREDIT

- Agency must determine and document:
 - applicant is unable to finance the proposed project from their own resources, or
 - through commercial credit, including an Agency loan guarantee.

How Can Funds Be Used?

Eligible Loan Purposes

- Purchase real estate and improvements (i.e. buildings)
- Construction, expansion, renovation, and/or improvements to essential community facilities
- Purchase of vehicles and major equipment

Eligible Loan Purposes

- Reasonable necessary fees for:
 - legal
 - architectural/engineering
 - fiscal advisors
 - environmental
 - archaeological
 - mitigation measures
 - planning
 - establishing or acquiring rights

Eligible Loan Purposes

- Purchase/rent equipment necessary to install, maintain, extend, protect, operate, or utilize facility.
- Interest on interim financing

Eligible Loan Purposes

- Costs of acquiring interest in land;
 - rights
 - leases
 - permits
 - rights-of-way, and
 - other evidence of land or water control necessary for development of the facility.

Eligible Loan Purposes

- Refinancing debts incurred by, or on behalf of, an applicant when all of the following conditions exist:
 - debts being refinanced are a secondary part of the total loan, (less than 50 percent);
 - debts were incurred for the facility;
 - arrangements cannot be made with creditors to extend or modify terms in order to cash flow.

Healthcare

- Hospitals (6-7 projects)
- Clinics
- Medical/Dental Offices
- Nursing Homes (3-4 projects)
- Assisted Living Facilities
- Diagnostic Equipment

Excelsior Springs Medical Center
Excelsior Springs, MO.
Direct CF-2nd Story Addition
Critical Access Hospital





Adolescent Substance Abuse Treatment Center
Massena, New York

New Medical Equipment Benson, Minnesota

New Chemical Analyzer



New CT Scanner



Ineligible Purposes

- Projects that are not modest in size, type, and design.
- Cannot due operating lines of credit
- Project that are not feasible
- Loan/grant finder's fees.

Financial Feasibility

Base loan making on:

- financial history
- operating income
- repayment ability

Loan Security

Take the best available
security to:

**PROTECT
THE
GOVERNMENT
Interest !**

Loan Security

Public Bodies:

General Obligation

(GO) Bonds

Tax Bonds

Revenue Bonds/Other
types

Assured Income

Assignment

Real Estate,

Equipment, Fixtures,

Leases, Contracts

Loan Security

Nonprofits:

Assured Income
Assignment
Real Estate,
Equipment,
Fixtures, Leases,
Contracts,
Reliable Income
Assignment

Loan Security

- Agency loans will typically be in a 1st lien position
- Joint financing:
 - at least a parity lien position
- When a direct & guaranteed loan are made on the same project, we require parity.

Loan Security

- Parity requires an Intercreditor Agreement to define the pro-rata share of the collateral.
- Agreement must be approved by OGC.

Direct Loans

RD Instruction 1942-A

MO. FY 2012 Allocation \$32,854,125

Direct Loan Interest Rates

Interest Rates can change 1/4ly

- Poverty-4.5% thru 6/30/12
- Intermediate-3.875 thru 6/30/12
- Market-3.375% thru 6/30/12
 - Currently everybody chooses Market rate as it is cheaper

Note: 2% penalty when converting prime farmland

Direct Loan Interest Rates

- ❖ Poverty Rate – Median Household Income (MHI) must be below the poverty line or less than 80% of the State Non-Metropolitan Median Household Income (SNMHI) $80\% = \$31,234$
- ❖ Poverty Line Information is published annually in an AN. The amount is the same for all states except for Alaska & Hawaii. $= \$22,350$

Direct Loan Interest Rates

Poverty

- ❖ Fixed rate that cannot exceed 5%
- ❖ Eligibility for poverty rate:
 - Must meet income requirements
 - Facilities that provide direct health care
 - Facilities required to meet health or sanitary standards (Except Healthcare) (must have documentation from regulatory agency)

Direct Loan Interest Rates

❖ Intermediate Rate:

- Do not qualify for poverty rate
- MHI is equal to or less than SNMHI (\$39,043)
- Rate is set at one-half the difference between poverty & market rate

Direct Loan Interest Rates

❖ Market Rate:

- The MHI is above the SNMHI (\$39,043)
- Tied to Bond Buyer Index
- Index is based on general obligation bonds maturing in 20 years

Direct Loan Interest Rates

- ❖ Rates Adjusted Quarterly

- ❖ Fixed Rates

- ❖ Applicant may submit written request prior to loan closing that the interest rate charged be the lower of the rate in effect at the time of loan approval or loan closing.

Repayment Terms

- Can go up to the useful life of the collateral
 - Real estate/infrastructure – up to 40 years
 - Major equipment – useful life
- State limitation's may affect terms
 - In MO. revenue bonds=35 years

Repayment Terms

- ❖ Loan payments will be scheduled to coincide with income
- ❖ Monthly payments are encouraged if practicable
- ❖ Preauthorized Debit (PAD) encouraged

Guaranteed Loans

RD Instruction 3575-A

MO. FY 2012 Allocation \$2,231,000



Committed to the future of rural communities.

Grants

Grant Restrictions

Availability of funds--(\$356,000) allocation for our state FY 2012 divided by our 6 Areas in the State=\$59,333 per Area.

Population and income limitations

No more than \$50,000 or 50% of a state's annual allocation, whichever is greater, without an Administrator's exception

Minimum amount needed for cash flow

Grant Restrictions

- CF grant funds may not exceed 75% of the total cost of developing the facility.
- Total federal grant participation is limited to 75% of the cost to develop the facility.

Grant Restrictions

- No operating expenses or annual recurring costs, including purchases or rentals that are generally considered O & M expenses (unless with a CF loan)
- No refinancing of existing indebtedness
- Cannot pay project costs when other loan funding for the project is not at reasonable rates and terms.
- No interest repayment or grant finder's fees