



**USDA Rural Development  
Community Facilities Re-lending Program  
Frequently Asked Questions**

**COMMUNITY FACILITIES (CF) PROGRAM:**

*(Please Note that Re-lender's borrowers must meet these eligibility requirements)*

**Q: What type of entities are eligible to apply for community facilities loan and grant funds?**

A: Public bodies such as counties, boroughs, cities, villages, townships, special purpose districts such as fire protection district, etc. Nonprofit corporations with ties to the local community.  
Indian Tribes on Federal and State reservations and other Federally recognized Indian tribes

**Q: How does a nonprofit corporation demonstrate ties to the local community?**

A: Ties to the local community can be demonstrated by the nonprofit being controlled by a local public body or broadly based ownership and controlled by members of the community. Ties can also be demonstrated by showing evidence of significant public funding such as taxes, revenue bonds, and substantial community fund drives.

**Q: Where can the essential community facilities be located?**

A: The essential community facility must be located in a rural area pursuant to 7 CFR 1942.17(b)(2)(iv). A rural area is any area other than a city or town with a population in excess of 20,000 people. For example, a community facility could be located in a county with a population in excess of 20,000 people but the community facility cannot be located in a city or town with a population in excess of 20,000 people. The population figure is determined from the most recent decennial census.

**Q: What is an essential community facility?**

A: To be eligible under the Community Facilities Loan program, an essential community facility must meet all of the following criteria:

1. Is a function customarily provided by a local unit of government;
2. Is a public improvement needed for orderly development of a rural community;
3. Does not include private affairs, commercial or business undertakings (except for limited authority for industrial parks);
4. Is operated on a nonprofit basis; and
5. Is located in a rural area (as defined above)

**Q: What are some examples of essential community facilities?**

A: Examples of essential community facilities include: Health care facilities such as hospitals, medical clinics, skilled care facilities; educational facilities such as charter schools, public schools, college and university facilities including dormitories; fire and rescue facilities such as fire stations and fire trucks, ambulance stations and ambulances, 911 centers, justice centers; and municipal facilities such as city halls, libraries, animal shelters, domestic violence centers.

**Q: What are some examples of facilities that are NOT considered essential community facilities?**

A: Examples of facilities that are not considered eligible under the Community Facilities Loan program include: recreational facilities, such as public swimming pools, baseball/softball complex, golf courses and facilities that house for profit type enterprises.

**Q: Are there any restrictions on who can use a community facility?**

A: All organizations must meet the “public use” requirements of Community Facilities loan program. To demonstrate availability for public use, the organization must allow open membership from the community. The organization cannot restrict membership based on race, color, religion, national origin, sex, age, disability, sexual orientation, or marital or familial status. If membership is customarily required to access and use the facility, any individual from the community who applies for membership must be given membership or be placed on a waiting list to join the organization as space becomes available on a first-come, first-served basis.

**Q: Can the Community Facilities funds be used to refinance existing debt?**

A: Community Facilities Loan funds can only be used to refinance existing debt in cases where the amount of funds used to refinance existing debt is less than 50% of the project cost. For example, a hospital wants to add a wing to its facility. The hospital has \$5 million of debt on its existing facility. The new wing will cost \$6 million to construct. The finance package could include the \$5 million of existing debt since it would be less than half of the total finance package of \$11 million. As per 7 CFR 1942.17(d) refinancing incurred by, or on behalf of, a community is considered an eligible purpose under the Community Facilities Direct Loan Program only when all of the following conditions exist:

(1) The debts being refinanced are a secondary part of the total loan;

(2) The debts are incurred for the facility or service being financed or any part thereof;

(3) Arrangements cannot be made with the creditors to extend or modify the terms of the debts so that a sound basis will exist for making a loan.

**THE CF RE-LENDING PROGRAM – GENERAL BACKGROUND:**

**Q: Where can I find additional information on the CF Re-lending program, such as the webinar PowerPoint presentation?**

A: For additional information, please visit the CF Re-lending Program website at: <http://www.rd.usda.gov/programs-services/community-facilities-re-lending-program>. You can also email the CF Re-lending team at: [CFRelending@wdc.usda.gov](mailto:CFRelending@wdc.usda.gov) to request additional information.

**Q: How do you define rural areas?**

A: The CF Direct Loan regulation defines a rural area at 7 CFR 1942.17b(2)(iv): For essential community facilities, the terms *rural* and *rural area* will not include any area in any city or town with a population in excess of 20,000 inhabitants. The population figure is obtained from the most recent decennial Census. If the applicable population figure cannot be obtained from the most recent decennial Census, RD will determine the applicable population figure based on available population data.

**Q: Is there a limit or maximum loan amount that a Re-lender may file an application?**

A: There is no limit on the amount of funding a Re-lender could request in their application, however, the ability to obtain the irrevocable letter of credit may limit the amount the Re-lender is able to borrow. Furthermore, maximum funds available for FY 2016 are \$500 million.

**Q: What do you anticipate to be the average size of an award? What date do you anticipate making award announcements and when would funds be released?**

A: The Agency is not anticipating any average size of award. The Agency has made up to \$500 Million available. We expect to make award announcements by September 30, 2016. Funds will be released once the Agency approves the eligibility of the Re-lender's borrower.

**Q: Is this opportunity only open to CDFI's?**

A: No. There is no requirement that a Re-lender has to be a CDFI. Any Re-lender that meets the eligibility requirements in Section IV of the Notice is able to apply. A full listing of eligibility requirements can be found at 7 CFR 1942.30 and in Section IV of the Notice.

**Question:** My organization is certified as a CDFI by the US Treasury Department's CDFI Fund. Would this meet the eligibility criteria outlined in Section IV.A.(j) of the Notice, which reads: "(j) Be a member of a national organization that provides training, technical assistance and credit evaluation of member organizations, such as FDIC, NCUA or other similar organizations; or be certified by a Government agency as having a primary mission of promoting community development in low-income target markets and perform training and technical assistance as part of that mission;"

**Answer:** Yes, an organization certified as a CDFI by the Department of Treasury would meet the criteria outlined in Section IV.A. (j) of the Notice.

**Q: Please give us an idea of the level of rural lending experience USDA would be looking for from applicants versus community facilities lending experience in non-rural areas.**

A: We are looking for the Re-lender to have a portfolio that demonstrates that 30% of their loan portfolio is based in these rural poverty areas. Or, the re-lender has at least 3 years' experience making loans in these rural poverty areas for community infrastructure.

**Q: Is the re-lending process similar to the Intermediary Relending Program (IRP)?**

A: There are some similarities but they are separate and independent programs run by different agencies and we will use different forms & processes. The Intermediary Relending Program is a revolving loan program, whereas the Re-lender Program is not. We plan to hold a post-award webinar to go over these details with awardees.

**Q: How do you determine service area beyond the town the project is located in?**

A: Service area would be the geographical area that a majority of the users of the facility would be located in. If the project is a district or county that has a specific boundary, the service area would be those boundaries. If the facility does not have distinct boundaries, the Applicant would document the geographical area that the facility primarily serves.

**Q: Can the applicant be affiliated with the Re-lender, e.g. both separately organized affiliates of a large non-profit.**

A: There cannot be a conflict of interest, so there couldn't be a relationship between the Re-lender and the Applicant.

**Q: Are there limitations to re-lending applicants leveraging funds with grants, other loans, etc.?**

A: We encourage leveraging from private sources. Ultimate Recipients of CF Direct Loan funds are subject to a credit elsewhere requirement that can be found at 7 CFR 1942.17(b)(3).

**Q: Is the re-lender applying for a pool of funds that we intend to re-lend or do we have to have a specific qualifying project in mind?**

A: At the time of application, the Re-lender does not have to have specific projects in its pipeline. However, before the Agency releases any funds to the Re-lender, the Re-lender will have to present a specific eligible Applicant and project to the Agency.

**Q: Are we required to return the interest and the principal of the loan to USDA? Or can the re-lender keep the interest and/or principal?**

A: The re-lending funds are non-revolving. The Agency will structure a repayment schedule, which will typically be on a monthly basis. Therefore, the funds will not be allowed to stay with the Re-lender and would have to be repaid to the Agency.

**Q: Are there specific requirements for secondary loans (LTV, collateral type, etc.)?**

A: Since the Agency's relationship is with the Re-lender and the Re-lender is providing security for the loan, the Agency does not have any requirements for the loan by the Re-lender to the Applicant other than basic eligibility requirements.

**Q: Is USDA going to review our underwriting or just document eligibility and environmental compliance?**

A: USDA will not review the underwriting of the re-lender. We review to make sure the applicant is eligible to receive funds through the program, and the purpose is eligible e.g. located in rural area and the project is modest in size design and cost.

**Q: Are direct costs of administration reimbursed; can they be included in the budget?**

A: No; It is up to the re-lender to set the terms and rates with their own applicant. The Agency does not have a mechanism in place to loan funds to the Re-lender to cover their operating expenses.

**Question:** Besides FDIC and NCUA, what other national membership organizations will USDA accept as meeting the eligibility criteria laid out in Section IV.A. (j) of the Notice?

**Answer:** Examples of organizations that might meet the criteria outlined in Section IV.A.(j) of the Notice, are National Federation of Community Development Credit Unions, Neighborworks, or Opportunity Finance Network. These organizations are highlighted here as examples and do not represent an exhaustive list. The agency is willing to review other organizations, ~~including~~ prior to the submission deadline, to determine if they are acceptable under this criteria. Organizations seeking this information can contact the agency via the agency contact information provided in the Notice.

**Q: What if you apply for a particular amount and then cannot disburse that much?**

A: If the funds cannot be advanced within 5 years, then the funds will be de-obligated and returned to Treasury.

**Q: Is there a match requirement? If so, what is the match percentage and what type of match is required or allowed- in-kind or cash match? The IRP program expects a cash match.**

A: CF does not have a match requirement.

**Q: How is this program related to Uplift America?**

A: Uplift America is a collaboration between the US Department of Agriculture and private sector partners, to direct millions of dollars of financing to our nation's poorest rural areas to build critical community facilities. The Uplift America Fund is a pool of grant dollars designed to provide equity and operating grant support to community-based lenders that fund community facilities in poor rural communities. The Uplift America Fund grants will strengthen the balance sheets and increase the capacity of community-based lenders working in high-poverty and persistently poor rural communities so these lenders can better access the U.S. Department of Agriculture (USDA) Community Facilities Relending Program. Grant applications for re-lenders applying to CF are due to Uplift America Fund by noon on July 25, 2016.

**Q: As the borrower makes payments are we required to make payments to USDA as they are paid or do we pay at maturity?**

A: The Agency typically structures the loans to be repaid on a monthly basis. Therefore, the Re-lender should take this into consideration when structuring the loan to the Applicant. The Agency does not require the two loans to be structured similarly.

**Q: Can a loan funded from a CDFI under the re-lending program to a project be able to be guaranteed under the USDA CF loan guarantee program?**

A: No, the Agency is prohibited from also guaranteeing funds from the Re-lending program.

**Q: Can you elaborate on why governmental entities are not eligible to be re-lenders?**

A: The Agency looked at other Federal Government programs similar to this one when establishing this program and found that most of them prohibit governmental entities from participating in their program. As this program matures, we may reconsider including governmental entities.

**Q: Does USDA require that private customer information be disclosed in the required reports?**

A: No. If the review team needs additional information, they will contact the applicant directly.

**Q: What if a CDFI is rated by Standard & Poor's (AA or AA-) but not rated by AERIS? Which door would be applicable?**

A: The re-lender would apply through Section IV A(h)(3) if they do not meet the criteria outlined in Sections IV A(h)(1) and (2).

**Q: Can you request funding for multiple projects in one request or do they need to be individual requests?**

A: There is no prohibition of having multiple projects in one request. The Agency would recommend that the length of the loans to all projects in the request be the same. The Agency would review the eligibility of all the Applicants included in the request.

**Q: How might this program work with the New Markets Tax Credit program? NMTC loan terms are typically a minimum of 7 years to correspond with the required 7 year compliance period. Is the CF loan required to mature in 5 years or can it be extended?**

A: Because of the complexities associated with a NMTC structure, and because the Re-lender program is a new component of the CF Direct Loan Program this fiscal year, the agency will be handling NMTC deals on a case by case basis. The terms of the loans to the Re-lender under the CF Direct Loan Program can be for as long as 40 years. The Re-lender can have similar terms with the Applicant. If the Re-lender does not re-lend all the obligated funds within 5 years, the Agency will de-obligate the remaining balance.

**Q: What type of architectural and structural requirements are put on these community facilities once the applicants have been approved for loans?**

A: The Re-lender will certify to the Agency that the design and construction meets all applicable Federal, State, and local codes and requirements. These codes and requirements would include Federal accessibility requirements.

#### **ELIGIBILITY – RE-LENDER:**

**Q: In regards to the eligibility of regulated institutions, the Notice states “Re-lender is regulated and supervised by a Federal or State Banking Regulator Agency”, does this language allow for credit unions?**

A: Yes, credit unions regulated by the National Credit Union Administration (NCUA) or a similar regulatory agency are eligible.

**Q: Since local governments are not eligible as a Re-lender, could a public entity (local government body, planning district commission, or council of government) become an eligible Re-lender through the risk assessment process (also referred to in Section IV A(h)(3))?**

A: No, only non-governmental entities (except Tribal Governmental entities) are eligible to apply.

**Q: How will national or multi-state Re-lender applications be processed? What state will we work with?**

A: All Re-lender applications will be processed in the National Office. The Letter of Conditions and all post-award activity will be handled by the Rural Development State Office in which the Re-lender is headquartered. Additional information on the post-award activities will be covered at a webinar for selected Re-lenders.

**Q: Please provide more explanation of eligibility through “Section IV A(h)(3)”**

A: Section IV A(h)(3) was established as an option for Re-lender applicants who are not regulated by a federal or state regulatory agency (Section IV A(h)(1), and do not have a recent Aeris rating of 1 or 2 (Section IV A(h)(2)). Re-lenders seeking eligibility under Section IV A(h)(3)(ii) must submit the additional information that is outlined in Section V A(p) of the Notice and the Agency will conduct its own risk assessment.

**Q: Can you avoid Section IV A(h)(3)(ii) with a rating from S&P or Moody's?**

A: No.

**Q: Will Re-lender applications be prioritized based on which “Door” they apply or will all applications be vetted equally?**

A: All Re-lender applications will be vetted equally regardless of the “door” they enter.

**Q: We are an IRP lender and USDA has a UCC-1 filing on our fund. Why do you require an Irrevocable Letter of Credit for this program?**

A: These are two different loan programs run by different agencies and each has its own statutory and regulatory requirements along with varying security requirements.

## ELIGIBILITY – CF APPLICANTS & CF PROJECTS:

**Q: Is broadband or the extension of a fiber optics network an eligible community facility project?**

A: No, not at this time.

**Q: Could CF funds be used to extend or upgrade infrastructure to support additional housing needs for a rural college? Could the housing development include any for profit aspect (mixed use, for example) to encourage economic revitalization?**

A: Providing funds to a college or university for student housing on its campus is an eligible purpose. A for profit investor not affiliated with the campus who wishes to construct housing not on a college campus, but rather in a college town used by students is not an eligible purpose. It is RHS policy that an eligible community facility with less than 25 percent of its floor space occupied by ineligible organizations or used for ineligible commercial activities is insignificant.

**Q: Can CF funds be used for recreational improvements such as pools and tennis courts for rural communities?**

A: No, facilities to be used primarily for recreation purposes are not eligible.

**Q: Would you consider a community garden to be an eligible CF project?**

A: No, a community garden is not an essential community facility.

**Q: Are facilities that provide food an eligible CF project? Can a tribal entity apply for CF funds to build a facility to store and manufacture food to supply to tribal members and non-tribal community members?**

A: Farmer's markets, food banks, and soup kitchen facilities are typically eligible projects provided the applicant is also eligible. A facility designed to process and manufacture food is commercial in nature and not an eligible CF project.

**Q: Are multi-use facilities eligible?**

A: Yes, provided all proposed uses of the facility are eligible essential community facilities under 7 CFR Part 1942.

**Q: Can a Re-lender loan funds to a Native American tribe for the acquisition of land within the tribe's reservation?**

A: Purchasing land without a facility is not an eligible purpose. If the Tribe intended to build a fire station and they needed to purchase land on which to construct the fire station, the purchase of land would be an eligible part of the total request.

## AERIS RATINGS:

**Q: The Notice refers to Aeris ratings, would a similar rating from another rating service be acceptable?**

A: No.

**Q: Why Aeris? Very few organizations are Aeris rated.**

A: The Aeris rating system met our initial goals for testing the program this fiscal year. We allowed other avenues for lending institutions to become eligible knowing not every organization would have this rating.

**Q: If we have an Aeris rating of 3, are we not eligible?**

A: Re-lenders without a Aeris rating of 1 or 2 can apply through Section IV A(h)(3)(ii) .

**Q: Is a CARS rating acceptable?**

A: Re-lenders with an Aeris rating of 1 or 2 that is no more than two years old can apply under Section IV A(h)(2). Re-lenders with an Aeris rating of 1 or 2 that is ***more than*** two years old can apply under Section IV A(h)(3)(i) or Section IV A(h)(3)(ii).

**Q: If you do not have an AERIS rating but have been an IRP re-lender for 20 years, are you likely to be seen as eligible for this opportunity under “Section IV A(h)(3)(ii)”?**

A: It is possible provided you meet all eligibility criteria and prove to be a financially sound institution based on the Agency’s risk assessment.

#### **PERSISTENT POVERTY OR HIGH POVERTY AREAS:**

**Q: The link provided in the NOSA of high poverty areas is not working. Is there another link?**

A: Yes, the correct link is as follows: <http://rdgdwe.sc.egov.usda.gov/rdpoverty/index.html>

**Q: Please clarify Section IV. Eligibility Information, A. Re-lender Eligibility, (d) regarding 30% of existing portfolio is for projects located in or serving Persistent Poverty Counties or High Poverty Areas - does the track record have to substantiate 30% rural and either high poverty or persistent poverty?**

Yes. The 30% of existing portfolio should demonstrate experience serving Persistent Poverty Counties or High Poverty Areas that are rural in nature and meet the program’s rural area definition. This definition is a statutory and a regulatory requirement.

**Q: Is there a limitation on geographic area, beyond the requirement of a community relationship? Based on what I understand, Re-lender eligibility is based on High Poverty Area or Persistent Poverty Counties. But, for CF project eligibility it has to be rural and high/persistent poverty, is this correct?**

A: The Re-lender can be located in an urban area. However, the Re-lender’s existing portfolio has to demonstrate they have experience financing projects in rural areas that are also High Poverty Areas or Persistent Poverty Counties. The CF projects must be located in eligible rural areas and at least 51% of the CF funds loaned by the Re-lender to eligible projects must be located in High Poverty Areas or Persistent Poverty Counties.

**Q: A majority of funds must go to Persistent Poverty County or High Poverty areas - what percent is that? 51% or 90% or somewhere in between?**

A: At least 51%. Re-lenders must agree to loan a majority of the CF funds to Applicants whose projects are located in or serve Persistent Poverty rural Counties or High Poverty rural Areas. The facility does not have to be physically located in one of these areas but it must serve one of these areas to be considered a project meeting this requirement.

**Q: How are Persistent Poverty County(ies) and High Poverty Area(s) defined?**

A: The definitions are in the Notice, Section III., Definitions.

**Q: My state does not have Persistent Poverty Counties, per the map. Areas of High Poverty are in the range of 10-20%. Can I use those areas in this application?**

A: Yes, High Poverty Areas are also considered in the eligibility determination. However, the High Poverty Area must be greater than or equal to 20%.

**Q: In terms of lending history percentage in Persistent Poverty County(ies) or High Poverty Area(s), how many years are you looking for?**

A: The Agency is looking at the Re-lenders existing portfolio at the time of application. Three years of experience making loans for projects located in or serving Persistent Poverty County(ies) or High Poverty Area(s) can also be used to meet this eligibility item.

#### **RE-LENDER APPLICATION REQUIREMENTS:**

**Q: Can we submit the application to our local USDA office instead of the office in DC?**

A: No. As per the requirements in the Notice, all Applications must be submitted to Kristen Grifka, 1400 Independence Ave. SW., Stop 0787, Room 0175, Washington, DC 20250-0787 by August 8, 2016 at 5pm EST.

**Q: Is August 8 a postmarked date or a received date?**

A: The August 8, 2016 at 5pm EST deadline means that applications must be received by that time. It is strongly recommended that all applications are submitted using a courier such as UPS or FedEx. Regular mail sent to the Agency has to go through clearance process and may not reach the Agency in a timely manner.

**Q: Is there an application form?**

A: Yes. The SF 424 form is considered the application form. A complete application must also include the forms listed in section V. "Application Submission, Evaluation, and Selection Process" of the Notice. The Notice is linked [here](#). Please note, that as per the Notice, all applicants applying under Section IV A(h)(3)(ii) must also submit the information listed in A.p of section V.

**Q: Do forms need to have the original signatures on them or can they be copies of an original signature?**

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A: Copies are acceptable.

**Q: Are there other external forms (like the letter of intent from a financial institution) that are required to complete the application?**

A: The full listing of what is required for a complete applicant is itemized in Section V of the Notice.

**Q: In terms of application requirements, USDA is asking for a schedule of five largest investors over each of the last 3 fiscal years, if the re-lender is a credit union and funds are coming from depositors, how would that work?**

A: This is a requirement for those Re-lenders entering through Section IV A(h)(3)(ii). If a Re-lender that is a credit union is a member of NCUA, they would be considered eligible using Section IV A(h)(1) since the NCUA would be considered a regulatory agency. If the Re-lender that is a credit union is not a member of the NCUA and does enter through Section IV A(h)(3)(ii) then the Re-lender could state in their application that all their investors are depositors.

**Q: The NOSA requests the SF-424A "as applicable"-- under what circumstances would a non-construction budget be applicable to this program?**

A: The SF 424A is used by the Re-lender applicant to record the amount of Federal funds requested and any non-Federal funds that will supplement their request (if any). This standard form is used for non-construction funding requests.

#### **LETTER OF CREDIT REQUIREMENT:**

**Q: Which Re-lender applicants are required to get a letter of credit?**

A: All Re-lender applicants must submit a letter of intent stating that a financial institution will provide an irrevocable letter of credit, acceptable to the Agency, should the Re-lender be selected for funding.

**Q: Why are you requiring the re-lender to guarantee loans that would otherwise be eligible for the CF Direct Loan program?**

A: The USDA loan is the loan from USDA to the Re-lender. The Agency is requiring the Re-lender to obtain an irrevocable letter of credit to assure repayment of the Re-lender's loan to the Agency.

**Q: Do regulated banks and credit unions need a letter of credit from another financial institution?**

A: Yes. The letter of credit should come from an independent separate financial institution with no relationship with the Re-lender.

**Q: If a CDFI Bank is applying as a re-lender, what would be necessary for the irrevocable letter of credit? Could they submit a letter pledging their own collateral account?**

A: A 5 year letter of credit from an independent third party financial institution, in an amount at least equal to the amount of principal and interest payment due to the Agency the first five years of the loan is required. The Independent third party financial institution should have no relationship with the Re-lender.

**Q: Does the term of the loan have to be equal to or less than the term of the letter of credit?**

A: The Irrevocable Letter of Credit has to be in an amount at least equal to the amount of principal and interest payment due to the Agency for the first five years of the loan. It does not have to cover the full loan amount or the entire length of the Re-lender's loan.

**Q: As payments are made over 5 years, will the required amount of the Letter of Credit (or collateral) be reduced on a monthly/quarterly/annual basis?**

A: It would be possible for the amount of the Letter of Credit to be reduced as the debt payments are made over the first five years. The Re-lender would have to make this specific request to the agency and the Agency would need to review this with the financial institution issuing the Letter of Credit.

**Q: What is the minimum credit rating for the letter of credit provider, if any?**

A: The letters of credit will be assessed by the Agency on an individual basis.

**Q: If the customer defaults after the letter of credit expires, is the re-lender or USDA responsible for the deficit?**

A: Yes; The Agency's relationship is with the Re-lender. If the Applicant/Borrower does not meet their obligations to the Re-lender, the Re-lender is still responsible for their loan to the Agency. It would be the Re-lender's responsibility to service the loan and recover the assets. The agency has full recourse to the re-lender's balance sheet.

## **LOAN RATES AND TERMS:**

**Q: Is the rate fixed at the time of loan closing with the re-lender?**

A: Yes. However, if the interest rate drops between the time the loan funds are obligated to the Re-lender and the time the Re-lender requests funds for a loan to an Applicant, the Re-lender will get the lower rate. The interest rate will never be higher than the rate at the time of obligating funds in the name of the Re-lender. All funds will be obligated before September 30, 2016. The current CF Direct Loan interest rate is 2.75% and will not change before September 30, 2016.

**Q: Is there a projected rate after September 30, 2016?**

A: We do not know yet what the interest rate will be after September 30, 2016. The CF Direct Loan interest rate adjusts quarterly based on a variety of factors including market influences.

**Q: Could you speak to the rate changing quarterly? Is the rate fixed for the life of the loan to the re-lender even though disbursements may span quarters or would the rate change?**

A: The Agency adjusts interest rates quarterly. If your loan is obligated at the current rate of 2.75%, the only way it would change is if the rate lowered prior to closing.

**Q: Is the 2.75% rate the cost of money to the intermediary or is that the rate to the re-lender?**

A: 2.75% is the rate to the Re-lender. The rate to the Applicant is negotiated between the Re-lender and the applicant.

**Q: Is the re-lender allowed to charge the applicant a higher interest rate to compensate for the credit risk and costs to operate this program?**

A: Yes. The Agency does not place any limitations on the loan rates and terms offered by the Re-lender to the Applicant. All rates and terms of the loan from a re-lender to an applicant are negotiated between those parties. The Agency's loan is to the re-lender. The re-lender is responsible for all processing and servicing of loans that they make to applicants.

**Q: Are there limitations on what interest rates Re-lenders can charge?**

A: No.

**Q: Has consideration been given to providing a lower interest rate to re-lenders to provide a bigger margin that can compensate the re-lender for operating costs and risk?**

A: CF does not have specific statutory authority to lend funds below our current rate.

**Q: What is the maximum term of the loan to the re-lender?**

A: The maximum length of CF Direct loans to the Re-lender is 40 years.

**Q: What are the repayment terms? Is there a deferral period for the first year to help cover initial costs?**

A: The loans to the Re-lender will not be deferred to help the Re-lender cover initial costs.

**Q: Is the term on the disbursements/drawdown 40 years or does it match our term to the borrower?**

A: Typically, the loan between the Agency and the Re-lender will match the same term between the Re-lender and its Applicant/Borrower.

**Q: If a re-lender determined that they could not take on the credit risk of an applicant can the re-lender refer that applicants to RD for a CF Direct Loan?**

A: Certainly. If a re-lender deems an applicant not to be credit worthy, the re-lender can refer them to the Agency. The applicant could apply through the traditional CF Direct Loan program.

## **COLLATERAL REQUIREMENTS:**

**Q: What type of collateral is USDA requiring for loans to re-lenders? The NOSA states that the re-lender must “Agree to provide adequate collateral, as determined by the Agency, to support the loan request”, what does USDA consider "adequate collateral?"**

A: The adequacy of collateral will be decided on a case by case basis. The Agency expects that the loan receivable will be a secured interest. If the re-lender wishes to pledge unrestricted net assets in addition to a secured interest of the loan receivables that interest in the unrestricted net assets could be unsecured.

**Q: Can re-lenders pledge real estate as collateral?**

A: Determination of adequate collateral will be made on a case by case basis taking into account the unique circumstances of the re-lender.

**Q: Our funders currently do not allow us to pledge assets.**

A: Pledging assets is not specifically required under our collateral requirements. 7 CFR 1942.30 outlines the re-lender eligibility requirements and does not explicitly state that a pledge of assets is required to meet collateral requirements. 7 CFR 1942.30(a)(4) states:

(4) Agree to provide adequate collateral, as determined by the Agency, to support the loan request.

**Q: Is the collateral associated with the particular loan, but not assets of the re-lender?**

A: The collateral will be associated with both the particular loan and the assets of the re-lender. We will review adequate collateral for our loans to the re-lender. The re-lender would also be expected to take adequate security for their loan to the applicant. However, the re-lender is underwriting the loans to the Applicant, not the Agency, so it is ultimately the responsibility of the re-lender to evaluate the adequacy of collateral for their loan to the applicant.

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*USDA is an equal opportunity provider, employer and lender.*