



Rural Development

April 12, 2017

Richard A. Davis  
Acting Administrator

Rural Housing Service  
1400 Independence Ave, SW  
Room 5014-S  
Washington, D.C. 20250

Telephone: (202) 692-0268

TO: State Directors  
Rural Development

ATTN: Community Programs Directors

FROM: Richard A. Davis /s/ **Richard A. Davis**  
Acting Administrator  
Rural Housing Service

SUBJECT: Non-Traditional Lender Approval for Participation in the  
Community Facilities Guaranteed Loan Program

In accordance with 7 CFR § 3575.27(a)(6), non-traditional lenders must be approved by the National Office.

The purpose of this unnumbered letter and attachment is to provide guidance to State Offices when requesting non-traditional lender approval for participation in the Community Facility Guaranteed Loan Program in accordance with 7 CFR §3575.27(a)(6).

The attached checklist is to be used as a guide when requests for lender approval are submitted to the National Office. Please note that all prior approved non-traditional lenders must demonstrate that they meet these requirements for future funding consideration.

Please review the attachment with your staff and emphasize the need to use this checklist as a guide when requesting lender approval in order to help expedite the review process. A Lender's file is to be maintained in each Rural Development State Office with copies of the Lender's documentation.

If you have any questions, please contact Shirley J. Stevenson, Loan Specialist at (202) 205-9685.

Attachment

EXPIRATION DATE:  
April 30, 2018

FILING INSTRUCTIONS:  
Community Programs

USDA is an equal opportunity lender, provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html), or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at [program.intake@usda.gov](mailto:program.intake@usda.gov).

**COMMUNITY FACILITIES GUARANTEED LOAN PROGRAM  
NON-TRADITIONAL LENDER APPROVAL CHECKLIST**

1. Identify Lender.
  - a) Lender's name, address and telephone number.
  - b) State where the Lender is headquartered.
  - c) Lender's Tax Identification Number.
  - d) Lender's proposed geographical area of operations.
  - e) The name of an official who will serve as a contact for Rural Development regarding the Lender's Community Facilities Guaranteed loans.
2. The organizational structure of the lender. This should include a list of names, titles and responsibilities of the Lender's principal officers; and also outline the experience of management and loan officers specifically in the Community Facilities Loan Program. This information should also include a description and background of loan committee members and frequency of loan committee meetings.
3. Copy of Lender's organizational documents and any license, charter, or other evidence of authority to engage in the proposed Community Facilities loan making and servicing activities. If licensing by the State is not required, an attorney's opinion to this effect must be submitted.
4. Copy of Lender's most recent audited financial statement, sources of funds for proposed loans, and capital and reserves for loan losses, based on most recent annual and quarterly reports to stockholders.
5. Evidence of Lender's regulatory oversight. Lender must be subject to credit examination and supervision by either an appropriate agency of the United States or a State that supervises and regulates credit institutions, as determined acceptable by the Agency. Lenders must also provide documentation acceptable to the Agency that they have the ability to service the loan. Only regulated lenders that meet the requirements outlined in 7 CFR 3575.27(a)(6), as determined by the National Office, may participate in the Community Facilities Guaranteed Program. Examination will normally include a review of the lenders' asset quality, management practices, financial conditions, and compliance with applicable laws and regulations. Supervision gives the regulator the authority to require that the lender make changes to ensure safety and soundness. The Lender must provide a copy of their most recent credit examination, with any deficiencies identified, by the appropriate United States or State agency, and with the contact information of the examiner. If the applicable Federal or State regulatory agency does not provide credit examinations, the Agency will accept an Aeris rating, no more than 18 months old at the application date, of A+ or higher. The Agency finds such an Aeris rating, or similar acceptable credit examination equivalent to an A+ Aeris rating or higher, reflecting Strong creditworthiness, to meet the credit examination requirement outlined in 3575.27(a)(6).

Acceptable agencies and their web sites that in some cases identify enforcement actions as well as other activities associated with a lender, include, but are not limited to, the following:

- Federal Deposit Insurance Company – for state chartered banks that are not members of the Federal Reserve System and for insured branches of foreign banks.  
<http://www.fdic.gov/bank/individual/enforcement/index.html>
  - Office of Comptroller of the Currency – for national banks and federally chartered branches and agencies of foreign banks. The Office of Thrift Supervision for savings and loan or savings associations and thrift holding companies has merged with OCC as of 2011.  
<http://apps.occ.gov/EASearch/>
  - Federal Reserve Board – for state-chartered banks that are members of the Federal Reserve System, bank holding companies and their non-bank subsidiaries, Edge Act and agreement corporations, and branches and agencies of foreign banking organizations operating in the United States and their parent banks.  
<http://www.federalreserve.gov/boarddocs/enforcement/>
  - Farm Credit Administration – Federal agency responsible for examining and regulating the Farm Credit System  
<https://www.fca.gov/>
  - National Credit Union Administration – for credit unions  
<https://www.ncua.gov/regulation-supervision/Pages/default.aspx>
  - State banking commissions – regulate and supervise state-charted banks. Many of them handle or refer to problems and complaints about other types of financial institutions as well.  
<https://search.usa.gov/search?affiliate=usagov&query=state+banking+commissions>
6. A sample of Lender’s lending policies and procedures, including delegated authority and loan approval process, loan underwriting standards, risk rating system, and loan workout and collection process.
    - The contracting or assignment of servicing responsibility to another organization is prohibited.
  7. Lender’s proposed rates and fees, including loan origination, loan preparation, and servicing fees.
    - Such fees must not be greater than those charged by similarly local lenders for community development type projects.
  8. Information regarding Lender’s experience in making and servicing Community Development type loans, to include the length of time in the lending business; range and volume of lending and servicing activity; status of loan portfolio including delinquency rate, loss rate as a percentage of loan amounts, and other measures of success; and, a representative sample of such recent financing.
  9. The Lender must provide evidence of fidelity bond insurance.
  10. An executed Form AD 1047, “Certification Regarding Debarment, Suspension, and Other Responsibility Matters – Primary Covered Transactions.”