



Water & Waste Disposal Loan Guarantees

What does this program do?

This program helps private lenders provide affordable financing to qualified borrowers to improve access to clean, reliable water and waste disposal systems for households and businesses in rural areas.

Who may apply?

Private lenders may apply for a loan guarantee on loans they make to eligible borrowers who are otherwise unable to obtain commercial credit on reasonable terms.

Eligible borrowers include:

- Most state and local governmental entities
- Nonprofit organizations
- Federally recognized tribes

What is an eligible area?

Areas that may be served include:

- Rural areas and towns with populations of 10,000 or less - [check eligible addresses](#)
- Tribal lands in rural areas
- Colonias

How may borrowed funds be used?

Construct or improve facilities for:

- Drinking water
- Sanitary sewers
- Solid waste disposal
- Storm water disposal facilities

Depending on the circumstances, some funds may also be used for:

- Legal and engineering fees
- Land acquisition and equipment
- Start-up operations and maintenance
- Capitalized interest
- Other costs determined to be necessary for completion of the project
- See Code of Federal Regulations [7 CFR, Part 1779.2](#) for a complete list.

What are the terms of a loan guarantee?

- The maximum guarantee is typically 90 percent of the loan amount
- Interest rates may be fixed or variable as negotiated between the lender and the borrower, subject to USDA approval
- Up to 40-year payback period, based on the useful life of the facilities financed
- Balloon payments are prohibited

Are there additional requirements?

- The borrower must have legal authority needed to construct, operate and maintain the proposed facilities and the services they provide.
- All facilities financed with the aid of a loan guarantee must be used for public purposes.

Who will service the loan?

Loans guaranteed through this program are serviced through the private lender that makes the loan, just as they would be without a guarantee.



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How do we get started?

- **Lenders:** Contact a representative in your **local RD office** for details on how to become an approved lender.
- **Borrowers:** Ask your private lender if it participates in USDA loan guarantee programs.

Who can answer questions?

- Contact your **local RD office**.
- Participating nonprofit associations also offer assistance and training.

What governs this program?

- Code of Federal Regulation, **7 CFR, Part 1779**
- 5 USC 301, 7 USC 1989 and 16 USC 1005

Why does USDA Rural Development do this?

This program helps extend access to clean, reliable water and waste disposal systems for households and businesses in eligible rural areas and towns. Affordable terms and good practices can save tax dollars, improve the natural environment and may be necessary for manufacturers and other types of businesses to locate or expand operations.

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 RD office** for assistance. You will find additional forms, resources, and program information at www.rd.usda.gov. *USDA is an equal opportunity provider, employer, and lender.*