

Relending Under the Community Facilities Direct Loan Program

A new tool to empower community lending

USDA Rural Development's Rural Housing Service has amended their existing Community Facilities Direct Loan Program regulations to enable the Agency to make loans to eligible lenders who can then reloan those funds to eligible applicants under the Community Facilities Direct Loan Program. This now allows us to make direct loans to community lending institutions, (referred to as "relenders"), which then reloan the funds to eligible applicants to acquire, maintain, build, or renovate essential community facilities. These Relending Projects aim to target community lending institutions working in high-poverty and persistent-poverty areas.

What does this program do?

We make loans to eligible lenders (relenders), which will in turn reloan those funds to applicants for essential community facilities. Our Community Facilities programs provide loans for essential community infrastructure, so that people who live and work in rural areas can enjoy the same basic quality of life and services as those in urban and metropolitan areas.

Who may apply for this program as a relender?

A relender must demonstrate that:

1. It has an existing loan portfolio where at least 30 percent of its loans are made in rural, high- or persistent-poverty areas
2. It can provide documentation that it can obtain an irrevocable letter of credit from a financial institution covering principal and interest payments for the first five years of the loan.

The relender must also demonstrate that it meets one of the following:

1. That it is regulated and supervised by a Federal or State banking authority and is not on any watch list, or
2. That it has an Aerie Financial Strength and Performance Rating of 1 or 2 within the last 2 years, or
3. That it has obtained an Aerie Financial Strength and Performance Rating of 1 or 2 prior to any funds being advanced, or
4. Be proven to be a financially sound institution as determined by our risk assessment.

Who may apply as applicants for funds from the relender?

Eligible applicants include public bodies, community-based nonprofit corporations, and Federally recognized Tribes.

What is an eligible area?

Relenders may be located anywhere in the United States. The applicant's facility must be located in rural areas such as cities, villages, townships, and towns, including those on Federally recognized Tribal Lands, with no more than 20,000 residents.

How may funds be used?

The relender uses funds from USDA to relend to applicants. Applicants may use the funds from the relender to purchase, construct, and/or improve essential community facilities, purchase equipment, and pay related project expenses. Examples include but are not limited to:

- Health care facilities such as hospitals, medical clinics, dental clinics, nursing homes, or assisted-living facilities
- Public facilities such as town halls or courthouses
- 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; and educational services such as museums, libraries, colleges, and public or private schools.

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What kind of funding is available?

Low-interest direct loans.

What are the funding priorities?

We will score and rank relender applications based upon experience and the amount of the relender's existing portfolio for projects in persistent- or high-poverty areas.

What are the loan terms?

Loans we make to relenders will have fixed interest rates and may be for up to 40 years. The terms of the loan by the relender to the applicant are negotiated between the two parties.

What are some of the benefits of these loans?

These loans are targeted to high- or persistent-poverty areas. Relenders must demonstrate that they have experience making loans in these economically distressed rural areas. This expertise enables the relenders to provide technical assistance and financial expertise to help applicants access capital that may not have been available to them before. The low-interest, long-term, fixed-rate loans also make access to capital much more affordable.

Are there any additional requirements?

- Relenders must demonstrate that they have the financial strength to carry out the loan requirements. They are required to provide us with an irrevocable letter of credit equal to the first five years of payments to USDA.
- Applicants must demonstrate that they have significant ties to the local community. They must use loan funds for eligible essential community facilities as outlined in our regulations. Examples include healthcare centers, town halls, courthouses, street improvements, child care centers, public safety services, and educational facilities.

How do we get started?

- Both relenders *and* applicants may contact the [local RD office](#) in which their headquarters are located.

Who can answer questions?

- Contact Community Facilities program staff in State Office for assistance.

What governs this program?

- Code of Federal Regulation 7 CFR 1942, Subpart A.

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.*