USDA Community Facilities Relending Program

Program Description: The U.S. Department of Agriculture’s Rural Development is making funds available to community development organizations (CDOs) that qualify as eligible lending institutions through a new program called the Community Facilities Relending Program. This program allows USDA Rural Development to make direct loans to CDOs, (referred to as “re-lenders”), who then re-loan the funds to eligible applicants to acquire, maintain, build, or renovate essential community facilities. The Community Facilities Relending Program targets CDOs working in high poverty and persistent poverty areas.

- Amends 7 CFR Part 1942 by adding §1942.30 Re-lending
- Effective immediately – test program for FY2016


<table>
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<tr>
<th>Features</th>
<th>Requirements</th>
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<tbody>
<tr>
<td>Up to $500 million available</td>
<td>Proceeds may only finance community facilities</td>
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<tr>
<td>Loans to CDFIs and other re-lenders</td>
<td>Majority of proceeds deployed in high poverty rural areas</td>
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<tr>
<td>Terms up to 40 years</td>
<td>Experience: 3 years or 30% of portfolio in high poverty rural areas</td>
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<td>Interest rate of approximately 2.75%</td>
<td>USDA requires additional guaranty from a Financial Institution</td>
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<td>Up to 5 years to deploy</td>
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<td>End-loans underwritten by CDFIs; pledged to USDA</td>
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Uplift America Fund

Program Description: Announced July 8th, the Uplift America Fund (UAF) is designed to provide equity and operating grant support to community-based lenders, particularly community development financial institutions (CDFIs), that fund community facilities in distressed 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 communities so these lenders can better access the U.S. Department of Agriculture (USDA) Community Facilities Relending Program (CFRP).

Deadline: Complete proposals must be submitted by noon on Monday, July 25. Decisions will be made by noon on Friday, August 5. This compressed timeline is required to ensure decisions can be made and factored into USDA's consideration for Community Facility loans. UAF will provide a conditional grant award letter for inclusion in your USDA application by August 8. [http://upliftamerica.org/guidelines/](http://upliftamerica.org/guidelines/)

Eligibility

- All of the following characteristics must be met to be eligible for Uplift America grant funds:
- Current 501c3 public charity status.
- Approval for USDA Community Facilities Relending Program loan.
- The applicant must pursue community development as its primary mission and lending must be a core business. The applicant must have made a minimum of $1 million in community development loans in each of the three consecutive prior years.

Resources for impoverished rural communities

USDA Community Facilities Relending Program
- Up to $500 million available
- Terms up to 40 years
- Interest rate of approximately 2.75%
- Up to 5 years to deploy

Uplift America Fund
- Grants of up to $2 million per CDFI
- May reach 5-25% of amount borrowed
- May fund operating expenses or boost unrestricted net assets

Requirement: Guaranty
USDA Guaranty Requirement

• **Requirement:** As part of the USDA Community Facilities Relending Program, the Agency will require all applicants to obtain a third-party payment guaranty issued by a Financial Institution payable to the Agency (USDA).

• **Amount:** Minimum amount of Guaranty must be equal to scheduled P&I payments due the Agency during first five years of the loan from the Agency to the CDFI

• **Form:** Guaranty shall be an irrevocable letter-of-credit or other form acceptable to the Agency

• **Schedule & Deadlines:**
  - Letter of intent from a Financial Institution must be submitted to the Agency on or before August 8th. Letter must indicate a guaranty amount sufficient to cover the amount in application.
  - The actual guaranty must be provided prior to funds being borrowed from the Agency. Guaranty must be in an amount sufficient to cover the requested borrowing.

• **Guarantor:** Most regulated, insured depositories are eligible to provide guaranties; Bank of America is eligible to provide guaranties

USDA Guaranty Requirement - Amount

• Minimum amount of Guaranty must be equal to scheduled P&I payments due the Agency during first five years of the loan from the Agency to the CDFI

• Example: Application for loan of $10 million, 40 years, 2.75%, fully amortizing
  - Projected annual payments = $0.413 million per year
  - Five years of payments = $2.063 million
  - Required guarantee = $2.063 million

• Declining balance of Guaranty as CDFI makes five years of payments to USDA
  - Year one Guaranty: $2.063 million
  - Year two Guaranty: $1.650 million
  - Year three Guaranty: $1.238 million
  - Year four Guaranty: $0.825 million
  - Year five Guaranty: $0.413 million
  - Year six Guaranty: None

• Cost: Annual cost of Guaranty to be set by each Financial Institution
USDA Guaranty Requirement - Form

• Form of Guarantee: For all applicants in 2016, rather than issue letter-of-credit, Bank of America plans to fund a cash account to be pledged to the Agency in an amount equal to the required Guarantee.

• Bank of America plans to extend a loan to the CDFI in the Guaranty amount, with funds to be placed in an account to be pledged to the Agency (USDA)

• Declining balance of loan as CDFI repays loan to Bank of America
  - Year one loan outstanding (proceeds in cash collateral account): $2.063 million
  - Year two loan outstanding (proceeds in cash collateral account): $1.650 million
  - Year three loan outstanding (proceeds in cash collateral account): $1.238 million
  - Year four loan outstanding (proceeds in cash collateral account): $0.825 million
  - Year five loan outstanding (proceeds in cash collateral account): $0.413 million
  - Year six loan outstanding (proceeds in cash collateral account): None

USDA Guaranty Requirement (Example)

Example
Makes $10 million, 2.75%, 40 year loan to CDFI (annual repayment = $6.413MM)

Example
Makes $10 million, 3.5%, 40 year loan to end borrower (annual repayment $0.465MM)
USDA Guaranty Requirement (Example years 1-5)

**USDA**
Takes $0.413 million annual Payment from cash account

**Pledged Account**

**USDA**

**CDFI**
Makes $0.465 million annual payment

**End-Borrower**

**Bank of America**
Makes $0.413 million annual payment, (plus interest payment)

USDA Guaranty Requirement (Example year 6)

**USDA**
Makes $0.413 million annual payment

**CDFI**
Makes $0.465 million annual payment

**End-Borrower**
## Schedule & Deadlines

- Applications for grants from the Uplift America Fund must be submitted on or before July 25th.
- Loan applications must be received by USDA by August 8th, 5pm EST. A letter of intent from a Financial Institution supporting the CDFI application must be submitted to the Agency with the Application (on or before August 8th). Letter must indicate an amount sufficient to cover the amount in application.
- Announcements of grant awards from Uplift America Fund and USDA loan approvals will be made on or before September 30. A CDFI has five (5) years from date of approval to borrow funds from USDA. Access to unused funds expire after 5 years.
- Subsequent to September 30, CDFI recipients will complete certain loan documentation with USDA and the Financial Institution providing the required Guaranty.
- Prior to each borrowing from USDA, a CDFI must have already delivered an irrevocable letter of credit or deposited required cash in pledged account. The letter of credit (or pledged cash) will be released five years after each borrowing from USDA.

## Bank of America – Role of Guarantor

- Bank of America applauds the vision, innovation, creativity, and effort of all those involved – especially the USDA staff, Mary Reynolds Babcock Foundation and CFED. The Community Facilities Relending Program and Uplift America Fund offer valuable resources to CDFIs working in impoverished rural communities. We want to see the programs succeed.
- Most regulated, insured depositories are eligible to provide guarantees; Bank of America is eligible to provide guarantees.
- The Bank of America CDFI team is prepared to underwrite guaranty requests from CDFIs and issue the required Letters of Intent. We are prepared to allocate sufficient funds to issue guarantees for the full $500 million authorized by USDA for re-lenders in the Community Facilities Loan program.
- Fairness dictates that we review requests on a first-come, first-reviewed basis and will continue until we run out of time. It is unlikely we can complete required underwriting (by August 8th) if we do not begin to underwrite a CDFI Applicant on or before July 25th.
The team....

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<thead>
<tr>
<th>Location</th>
<th>Contact</th>
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</tr>
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<tbody>
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Questions....