

A photograph showing several construction workers in safety gear working on the roof of a building. The workers are silhouetted against a bright, cloudy sky. The building has several windows visible on its side.

**WE BELIEVE
IN OPPORTUNITY.
FOR ALL.**

USDA Community Facilities Relending Program Interim Rule

■ August 16, 2016



USDA Community Facilities Relending Program Goals

- Existing Direct loan program opened to mission-driven re-lenders who already work in the targeted high poverty communities, to deploy CF loan funds
- Provides re-lenders with additional capital to increase capacity to make investments in community infrastructure projects
- Leverage funds with private and philanthropic capital to provide the right mix of affordable credit and technical assistance



Rulemaking Process

- The interim rule is already effective as of July 6, 2016.
- USDA is soliciting comments on this interim rule and will consider them in the final rule.
- Comments due by September 6, 2016.
 - Federal Register Notice of Solicitation of Applications
 - Interim Rule
 - Code of Federal Regulations (7 CFR 1942 subpart A)



§ 1942.30(a): Re-lender Eligibility

- Are there particular eligibility requirements that make it difficult for CDFIs to qualify?
 - Portfolio Requirements
 - Collateral
 - Letter of Credit or Performance Guarantee
 - Financial Strength and Performance*
 - Other Requirements



§ 1942.30(a): Re-lender Eligibility

Financial Strength and Performance: Re-lenders must demonstrate one of the following:

- Regulated entity subject to credit examination; or
- Strong Financial Strength and Performance Rating as specified in the annual Federal Register notice (Aeris rating 1 or 2); or
- Provides an Irrevocable Letter of Credit or performance guarantee acceptable to the Agency and the Re-lender:
 - Obtains an Aeris Financial Strength and Performance rating of 1 or 2; or
 - Proves to be financially sound based on USDA assessment



§ 1942.30(b): Applicant and Project Eligibility

- Applicant and project must meet the eligibility requirements under the existing Direct Loan program regulations

- Applicants:
 - Public Body
 - Nonprofit
 - Tribal Government

- Projects:
 - Located in rural areas (20,000 people or less)
 - Meet criteria for essential community facility
 - Operated on nonprofit basis

Are there issues related to the Applicant and Project Eligibility?

§ 1942.30(c): Application Submission Requirements

- Federal Register Notice details instructions for application submission
- Re-lenders must submit all requested documentation as well as any other supporting documentation for Rural Development's consideration
- Were the forms and documents requested reasonable?



§ 1942.30(d): Evaluation Criteria

■ Lending Experience

- More than 10 years of experience: 10 Points
- Five years of experience but less than or equal to 10 years: 5 Points

■ Poverty and Project Service Area

- More than 75% of projects located or serve Persistent Poverty Counties or High Poverty Areas: 30 points
- More than 50% of projects located or serve Persistent Poverty Counties or High Poverty Areas): 20 points
- More than 30% of located in or serve Persistent Poverty Counties or High Poverty Areas: 10 points

■ Administrator's Discretionary Points: Up to 10 points

§ 1942.30(e): Other Re-lender Requirements

- Prior to receiving the direct loan, re-lenders must:
 - Enter into an agreement with Rural Development
 - Execute a promissory note
 - Provide letter of credit equal to P and I payments for first five years of the loan
 - Provide adequate collateral
 - Meet any other conditions in the Federal Register



§ 1942.30(f): Loan Origination and Servicing

- Re-lender responsible for all loan origination and loan servicing
- Additional Costs
 - Re-lenders incur additional costs during the application process as well as originating, processing, and servicing loans to applicants

Did these costs deter potential applicants or make the program economically unfeasible?



Additional Questions

- Do the interim regulations direct capital into the areas of highest need?
 - High poverty areas
 - Persistent poverty counties

- Is USDA requiring the re-lender to assume too much of the risk?

- Was the Uplift America Fund sufficient to provide grant funding needed to offer capacity building and technical assistance?

- What could USDA do to improve the program in future funding rounds?

Contact Me

- Dafina Williams
 - dwilliams@ofn.org
 - 215.320.4318