

## Community Facilities Loans

*USDA Rural Development provides loans to develop essential community facilities for public use in rural areas and towns of not more than 20,000 population.*

### **Who is Eligible?**

Loans are available for public entities such as municipalities, counties and special purpose districts. Nonprofit corporations and Indian tribes may also receive loan assistance when adequate plans for loan repayments are made. In addition, borrowers must:

- Be unable to obtain needed funds from other sources at reasonable rates and terms.
- Have legal authority to borrow and repay loans, to pledge security for loans and to construct, operate and maintain the facilities or services.
- Be financially sound and be able to organize and manage the facility effectively.

The project will be based on taxes, assessments, revenues, fees or other satisfactory sources of money sufficient for operation, maintenance and reserve, as well as to retire the debt. The project also must be consistent with available comprehensive and other development plans for the community and comply with federal, state and local laws.

### **How May Funds Be Used?**

Rural Development loan funds may be used to construct, enlarge or improve community facilities for health care, public safety and public services.

Health care facilities include hospitals, nursing homes, dental or medical clinics or medical rehabilitation centers. Funds may also be used for necessary equipment for the operation of these facilities and to pay other necessary costs connected with them.

Public safety facilities include fire stations and buildings to house fire and/or rescue equipment.

Funds may also be used:

- To purchase fire trucks, ambulances or emergency communications equipment.
- To buy or build fire and rescue multi-service centers, police stations and jails.
- To pay necessary costs connected with these facilities.
- Public service facilities include community buildings courthouses, public maintenance buildings, libraries, child care centers, schools, industrial parks, roads, bridges, airports, fairgrounds, utilities and other improvements or to acquire interest in lands, leases and rights-of-way necessary to develop the facilities. Loan funds may also be used for necessary equipment for the operation of these facilities.
- Rural Development may fund other types of community facilities that provide essential service to rural residents and to pay necessary costs connected with such facilities.
- If interim financing is not available or if the project costs less than \$50,000, multiple advances of USDA Rural Development funds may be made as construction progresses.

# RURAL DEVELOPMENT COMMUNITY PROGRAMS



Committed to the future of rural communities.

## **What are the Limitations on Funds?**

Funds may not be used to finance:

- On-site utility systems or business and industrial buildings in connection with industrial parks.
- Facilities to be used primarily for recreation purposes.
- Electric generation or transmission facilities or telephone systems, except under certain circumstances.
- Facilities which are not modest in size, design and cost.
- Loan or grant finder's fees.
- New combined sanitary and storm water sewer facilities.
- That portion of a water and/or waste disposal facility normally provided by a business or industrial user.

## **What Are The Terms?**

The maximum term on all loans is 40 years. However, no repayment period will exceed any statutory limitation on the organization's borrowing authority or the useful life of the improvement or facility.

## **What Is the Interest Rate?**

Interest rates are set quarterly by Rural Development and depend on the median household income of the service area of the project.

## **What Security Is Required?**

All loans will be secured to adequately protect the interest of the government. Bonds or notes pledging taxes, assessments or revenues may be accepted as security if they meet statutory requirements. A mortgage may also be taken on real and personal property when state laws permit.

## **Can Applicants obtain Technical help?**

USDA Rural Development staff can advise the applicant on how to assemble information to determine engineering feasibility, economic soundness, cost estimates, organization, financing, and management matters in connection with the proposed improvements. The Agency may also refer clients to organizations who can provide more in-depth technical assistance.

If financing is provided by USDA Rural Development, the agency will make periodic inspections to see that funds are used as agreed upon.

## **Applications**

[Additional information may be obtained from](#)

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