

USDA Rural Development



***SUPPORTING
HOUSING,
BUSINESS,
COMMUNITY
FACILITIES OF
RURAL
CALIFORNIA***

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Committed to the future of rural communities.

Contractor Financing Workshop

July 28, 2011

- Regional Collaboration
- Regional Food Systems
- Community Building
- Alternative Energy
- Strategic Partners
- Capital Markets
- Broadband and Continuous Business Creation



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Rural Development Priorities

- Value-added
- Infrastructure
- Cooperatives
- Distance Learning
- Feasibility Studies
- Renewable Energy
- Farmer's Markets
- Green Waste
- Support Industries



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Economic Development



- **Funding for**

- Business & Cooperative Development
- Community Facilities
- Water & Sewer Systems
- Single and Multi-Family Housing

- **Loans, Guaranteed Loans, Grants**

- **Technical Assistance**

- **Staff Support for Applicants**



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A Broad Array of Support



- 100% Home Financing



- Self-Help Housing



- Repair Loans & Grants



- Rental Housing



- Farm Labor Housing



Housing Programs

502 Single Family Housing Direct Loan

- Creates option for low income people to buy a modest home (size, design, cost).
- Eligibility is based on income limits.
- Mendocino County has an adjusted income limit of \$46,300 for a low income 4 person household.



ELIGIBLE AREAS

502 Single Family Housing Direct Loan

- Unincorporated areas, cities with less than 10,000 population, and some cities with less than 25,000 population and not part of an urban area.



ELIGIBLE AREAS

502 Single Family Housing Direct Loan

- All of Mendocino County is eligible.
Ukiah, Cloverdale, North Lake Port, Nice,
Lucerne, Lake Port, Kelseyville,
Clearlake Oaks, Clearlake, Lower Lake,
Cobb, Middletown, Hidden Valley Lake,
Fort Bragg, Mendocino.



USE OF FUNDS

502 Single Family Housing Direct Loan

- Buy and perform needed repairs on new or existing homes.
- 100% financing.
- No down payment required.

TYPICAL FUNDING

502 Single Family Housing Direct Loan

- \$90,000 to \$190,000.
- Up to 100% of the market value of the home.
- The estimated loan limit for Mendocino County is \$246,697 effective as of 4-15-11.



RATES AND TERMS

502 Single Family Housing Direct Loan

- 5.0% Fixed (or lower if subsidized)
- Term is 33-38 years.
- Applicants must have good credit and stable income adequate to repay the loan.

Single Family Housing Guaranteed Loan

- USDA Rural Development has partnered with lenders to extend financing opportunities to rural areas.
- Enhances ability of mortgage lenders to make loans to low and moderate income people.



HOW IT WORKS

Single Family Housing Guaranteed Loan

- USDA guarantees home loans made by mortgage lenders.
- Flexible credit score guidelines.
- Applicant must occupy the property as their primary residence.
- NOT limited to first time homebuyers, and do not own an adequate home.



ELIGIBLE AREA

Single Family Housing Guaranteed Loan

- Unincorporated areas, cities with less than 10,000 population, and some cities with less than 25,000 population and not part of an urban area.

TYPICAL FUNDING

Single Family Housing Guaranteed Loan

- \$290,000; up to 100% of the market value of the home.
- Lender-driven program; participant lenders make the loan.



RATES AND TERMS

Single Family Housing Guaranteed Loan

- Mortgage lender's interest rate is negotiated between the borrower and lender, but is fixed; 30 years; guarantee fee applies.

ADVANTAGES

Single Family Housing Guaranteed Loan

- 100% LTV plus the guarantee fee, if financed.
- Finance Closing Costs, if market value is sufficient.
- No Mortgage Insurance; you may qualify for a larger loan.
- No maximum loan amount; based on repayment ability.

FOR CONTACT INFORMATION

Single Family Housing Guaranteed Loan & 502 Single Family Housing Direct Loan

- Please visit California's USDA Rural Development website:

<http://www.rurdev.usda.gov/CA-Home.html>



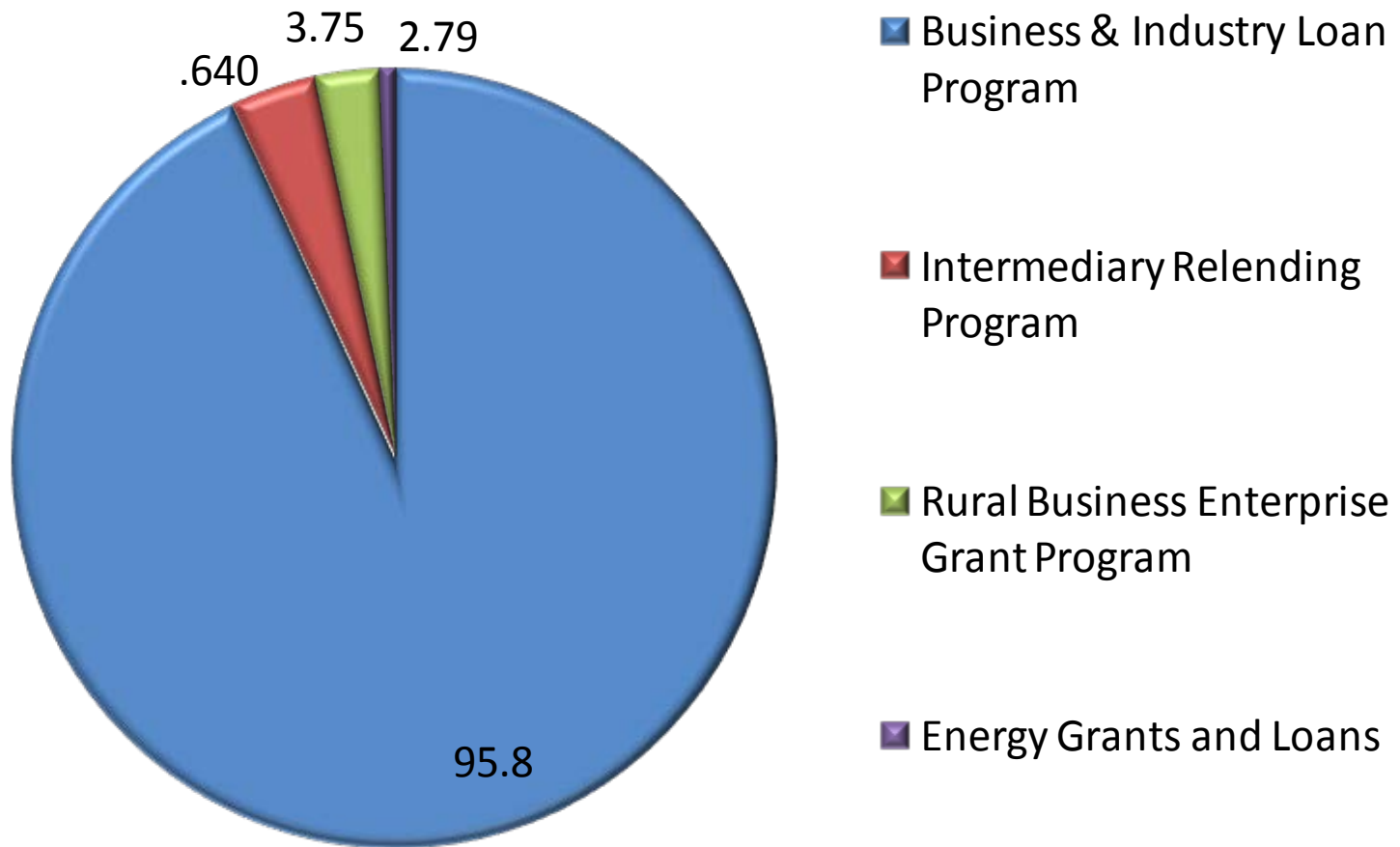
Business & Cooperative Programs



- Business & Industry Loan Guarantees
- Rural Business Enterprise Grants
- Intermediary Relending Program
- RMAP
- Rural Energy Assistance Program
- Value Added Producer Grants
- Rural Business Opportunity Grants
- Cooperative Programs



Funds Distributed FY09



Business & Industry (B&I) Guarantee Loan Program

- Lender Driven: Lender makes the loan
- RD Provides Government Guarantee
- Goal: Create & Save Jobs In Rural Areas



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B&I Guarantee Loan Program

B&I Loans Approved FY2010

- Nationwide FY2010 1030 loans \$2.9 Billion
- California FY2010 70 loans \$173 Million
 - ARRA: 22 Loans \$58 Million
 - Regular: 48 loans \$115 Million



Almost Any Business Purpose Is Eligible In This Program

- R/E purchase or construction, equipment, machinery, supplies, inventory, loan fees, appraisals
- Business acquisition, debt refinancing, takeout of interim financing, constructing or equipping, facilities for lease.
- Value Added Agriculture, Aquaculture, Forestry, Hydroponics, Commercial Nurseries, Commercial Fishing, Growing Mushrooms, etc.



Borrower Eligibility

- Essentially any legal entity (profit or nonprofit) Indian Tribe, Corporation, Public Body, 501c3, or individual with a business
- Rural area - outside urbanized area of a city with a population of 50,000 - some exceptions;
- <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>
- US ownership must be $\geq 51\%$



Ineligible Uses of Funds

- Distribution or payment to an owner when they will retain ownership
- Lines of Credit
- Owner-occupied housing
- Charitable institutions



Rates and terms

- Rates and terms negotiated between lender and borrower
- Interest Rates may be Fixed, Variable or a Combination
- Maximum terms
 - R/E - 30 years
 - M&E - 15 years
 - Working capital - 7 years



Underwriting Requirements

- Tangible balance sheet equity
 - 10% for existing businesses
 - 20% for new businesses
- Realistic Repayment Ability
- Good Credit
- Maximum loan amount is \$25 million
 - \$40 million for rural cooperative organizations



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B&I Guarantee Loan Program

Recent B&I Project Approved

- Feather River Parks & Recreation District
- \$3,120,000 Purchase of a Gymnastics Facility
- 13 Jobs Created
- 52 jobs retained



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B&I Guarantee Loan Program

Diamond Organics



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B&I Guarantee Loan Program

How To Apply

- Contact Qualified Lender or Credit Union
- Contact USDA Rural Development
Local, Area and State offices
- Apply Anytime Throughout the Year



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B&I Guarantee Loan Program

Activities that are Ineligible

- Agricultural Production Activities
- Lending, Investment Institutions & Insurance Companies
- Golf Courses, Race Tracks, Casinos, etc.



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B&I Guarantee Loan Program

- **Community Facilities**

First Responders, Healthcare,
Public Buildings, Libraries,
Schools, Food Banks, etc.



- **Rural Utilities Service**

Water Systems

Wastewater

Broadband

Electric



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Community Programs

Community Facilities Direct Loan Program

- USDA's purpose with this program is to develop essential community facilities for public use in rural areas.



ELIGIBLE APPLICANTS

Community Facilities Direct Loan Program

- Nonprofit corporations, tribal governments, and public bodies (e.g., cities or counties; municipalities, special–purpose districts).

ELIGIBLE AREAS

Community Facilities Direct Loan Program

- Cities, towns, unincorporated areas with less than 20,000 population.



USE OF FUNDS

Community Facilities Direct Loan Program

- The loan can be used for real estate and equipment – types of projects include clinics, hospitals, public buildings, day care centers, and fire stations or fire truck.

TYPICAL FUNDING

Community Facilities Direct Loan Program

- \$100,000 to \$2,000,000.



RATES AND TERMS

Community Facilities Direct Loan Program

- 4.5% to 5.5% fixed; 40 years maximum.



COLLATERAL Community Facilities Direct Loan Program

- The loan must be fully secured by a lien on the property financed or by a pledge of tax revenues.

18 California Offices

- Alturas
- Auburn
- Bakersfield
- El Centro
- Elk Grove
- Eureka
- Fresno
- Indio
- Merced



- Modesto
- Moreno Valley
- Oroville
- Redding
- Salinas
- Santa Maria
- Santa Rosa
- Visalia
- Yreka



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www.rurdev.usda.gov/ca