USDA

Community Facilities Program

The U.S Department of Agriculture offers the Community Facilities Loan Program (CF) through its Rural Development office. The program provides direct loans, and it guarantees loans made by eligible lenders. Its primary purpose is to create and maintain employment and improve the economic and environmental climate in rural communities. There is no minimum or maximum loan amount.

HOW IT WORKS

CF loan guarantees cannot be issued prior to construction completion. The CF program is effectively a permanent debt funding mechanism rather than a construction funding mechanism. While bank loans can provide construction funding, pricing can be high without a loan guarantee, and a bank's capacity to fund a loan can be limited by legal and internal lending limits.

USES	• CF can be used to build or substantially rehabilitate nonprofit healthcare facilities in rural areas (up to a population of 20,000). • CF can provide loan guarantees for refinances, so long as the loan includes new money and the refinance portion totals no more than 50% of the total transaction. CF funding terms are ultimately driven by the project's funding participants, but the following terms generally apply:
GUARANTEE	Up to 90% for all projects.
PRICING	• Floating (quarterly reset is maximum reset frequency). • Fixed. • Interest rates determined by market conditions.
TERM/AMORTIZATION	• Reflective of useful life of encumbered asset. • Up to 40 years.
LUMENT'S ROLES	Underwriter: Lument, a licensed investment bank, structures and underwrites Bond Anticipation Notes (BANs) to fund construction. Lument sells these short-term debt securities to the institutional bond market. The BANs are taken out by the CF loan after construction. Guaranteed Lender: Lument securitizes and sells the guaranteed portion of the CF loan to institutional investors, thereby accessing the pricing and term efficiencies of the broader capital markets. Non-guaranteed Placement Agent: USDA requires that a qualified USDA lender retain the 10% of the loan that is non-guaranteed. Lument competitively markets the nonguaranteed piece to USDA-eligible banks and secures the non-guaranteed lender.

In its prequalifying review, Lument will attempt to estimate both the loan amount and the fees and costs associated with the transaction. Actual loan amounts and actual fees and expenses may vary from the prequalifying estimates. A prequalifying estimate is not a commitment to make a loan.