

USDA Community Facilities Program

Background	<p>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.</p>
How it Works	<p>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.</p>
Uses	<ul style="list-style-type: none">▪ CF can be used to build or substantially rehabilitate nonprofit health care 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. <p>CF funding terms are ultimately driven by the project's funding participants, but the following terms generally apply:</p>
Guarantee	<ul style="list-style-type: none">▪ Up to 90% for all projects
Pricing	<ul style="list-style-type: none">▪ Floating (quarterly reset is maximum reset frequency)▪ Fixed▪ Interest rates determined by market conditions
Term / Amortization	<ul style="list-style-type: none">▪ Reflective of useful life of encumbered asset▪ Up to 40 years
Lancaster Pollard's Roles	<p><u>Underwriter:</u> Lancaster Pollard, a licensed investment bank, structures and underwrites Bond Anticipation Notes (BANs) to fund construction. Lancaster Pollard sells these short-term debt securities to the institutional bond market. The BANs are taken out by the CF loan after construction.</p> <p><u>Guaranteed Lender:</u> Lancaster Pollard 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.</p> <p><u>Non-guaranteed Placement Agent:</u> USDA requires that a qualified USDA lender retain the 10% of the loan that is non-guaranteed. Lancaster Pollard competitively markets the non-guaranteed piece to USDA-eligible banks and secures the non-guaranteed lender.</p>