

USDA Rural Development Community Programs/Housing/Business Divisions



Business Opportunities in Community Development Lending



Investing in Rural Maine

Fiscal Year 2012

- Housing Programs \$349,915,119
- Community Programs \$ 38,135,834
- Business Programs \$ 4,340,395

Total Investment: \$402,533,178*

- *Total includes leveraged funds



502 Single Family Housing Guaranteed Loan Program

OBJECTIVE:

Provide loan guarantees to approved lenders to assist rural Maine families in obtaining affordable housing

ELIGIBLE APPLICANTS:

Income eligible and do not own a home; meet credit requirements; cannot obtain credit through conventional sources; are US citizens or qualified aliens, have PITI ratio not exceeding 29% and TD ratio not exceeding 41%

ELIGIBLE PROPERTIES:

Must be in a designated rural area of Maine; cannot be in a flood hazard area; lot value cannot exceed 30% of the appraised value; cannot be an income property; cannot contain an in-ground swimming pool; can be a purchase new or existing

LOAN PURPOSES:

Purchase new, existing (w or w/o repairs), manufactured, condominiums, townhouses, closing costs (loan not to exceed 100% MV), Guarantee fee (can add to 102% loan)

RATES, TERMS, FEES:

Rate fixed by lender within program rules; 30 yr term; no down pay't; 2% up front guarantee fee; 0.4 percent annual fee based on principal balance



Guaranteed Community Facility Program

OBJECTIVE:

To improve, develop or finance water or waste disposal and other essential community facilities in rural areas of Maine with populations less than 20,000.

ELIGIBLE APPLICANTS:

Towns and cities, counties, quasi-municipal districts, not-for-profit corporations and Indian tribes where the lender certifies in writing that it would not make the loan without RD guarantee

PURPOSE AND TYPE OF PROJECTS:

Legal/admin fees, equipment, initial O&M, land purchase, construction, A&E fees; not for profit water or waste corporations, schools other than state funded facilities, group/assisted living facilities, fire, rescue and public safety, hospitals/clinics, nursing homes, streets, roads, bridges.

RATES AND TERMS:

Lender/borrower negotiated (w RD approval), up to forty years or useful life of security (30 yr. max for municipalities), fixed or variable rates, up to 1% servicing fee on guaranteed loan by lender, rates cannot increase more than quarterly, guaranteed and unguaranteed portion rates can be different but guaranteed rate can not exceed unguaranteed portion rate.



Guaranteed Community Facility Program

Continued

MAXIMUM GUARANTEE:

Up to 90%; guaranteed portion is saleable on secondary market; bank must hold at least 5% of the loan,; 1% of the guaranteed portion paid to RD at closing; bank must be unwilling to make the loan w/o guarantee; personal guarantees are not required.

SECURITY/EQUITY REQUIREMENTS:

General obligation bonds; real estate mortgages; revenue bonds; assignment of income. Security must secure entire loan. RD will consider parity lien position with other lenders. Loan may be up to 100% of appraised value of security; no minimum equity requirement.

SPECIAL REQUIREMENTS:

Bank can provide appraisal for loans under \$1 million, over \$1 million must be by an independent third party appraiser; feasibility studies required for most large loans (\$2 million plus) and new or largely expanded activities; cannot guarantee tax exempt bonds; audits are typically required; certificate of need, PUC approval, DEP approval and other regulatory approvals are often required; RD Office of General Counsel must review/approve closing documents prior to loan closing



Business and Industry Guaranteed Loan Program

OBJECTIVE:

To improve, develop or finance business, industry and employment by bolstering the private credit structure through the guarantee of quality loans which will provide lasting community benefits in rural areas of 50,000 population or less.

Guarantee:

RD requires an initial guarantee fee of 3% of guaranteed principal plus an annual renewal fee (rate established yearly in the Federal Register Notice) currently at ½% on guaranteed principal balance. Guarantee limits are generally 80% on loans up to \$5 million and 70% to \$10 million, loans over \$10 million are limited to 60%. Loans over \$7.5 million require National Office approval.

ELIGIBLE APPLICANTS/PURPOSES:

Individual, cooperative, partnership, corporation, Federally or state recognized Indian Tribe or tribal group, other legal entity (for profit or non profit); used for generally any business purpose except: payment to owner who will retain an interest; transfer of employment areas; charitable, religious, or fraternal organizations; lending, investment or insurance institutions; government or military personnel owning 20% or more; guarantee of lease payments; loans made by other Federal agencies; businesses deriving >10% gross revenues from gambling; residential housing, except with healthcare or assisted living; agricultural production except if part of an integrated business involved in the processing of agricultural products; tax exempt obligations; golf courses or racetracks; overproduction; illegal activities; lines of credit



Business and Industry Guaranteed Loan Program

Continued

RATES/TERMS:

Negotiated between lender and applicant, fixed or variable; encourage secondary market, guaranteed portion rate can not exceed that of unguaranteed portion. Real estate – max of 30 yr. ; machinery/equipment – max of 15 yr.; working capital – max of 7 yr.

CREDIT QUALITY:

The lender is responsible for determining credit quality and thorough documented analysis in areas such as: cash flow, collateral, financial statements, industry status and outlook, equity and management.

APPRAISALS:

Lender is responsible for assuring that values are adequate. Real estate appraisals will comply with FIRREA and the appropriate guidelines of Standards 1 & 2 of USPAP. Personal property will be evaluated using generally accepted methods and normal banking practices.

OTHER REQUIREMENTS MAY BE NECESSARY SUCH AS:

Key person life insurance; personal and corporate guarantees for those with 20% or more ownership; independent party feasibility study for start ups or significant changes in operations; lender and borrower are responsible for design, construction and contract documents and compliance with EEO and ADA; lender is responsible for notification of environmental issues; lender must retain at least 5% of the loan as unguaranteed; lender is responsible for servicing the entire loan.



USDA RURAL DEVELOPMENT

Rural Development State Office

Virginia Manuel, State Director:

967 Illinois Avenue, Suite 4

Bangor, Maine 04401-2767

Telephone: (207) 990-9160

Fax: (207) 990-9165

Also located at the State Office

Business Programs Director
Housing Programs Director
Community Programs Director

Dean Churchill
Dale Holmes
Ronald Lambert

Presque Isle Area Office (Area 1)

735 Main Street, Suite 1
Presque Isle, Maine 04769
Telephone: (207) 764-4157
Fax: (207) 762-2246

Lewiston Area Office (Area 3)

254 Goddard Road
Lewiston, Maine 04240
Telephone: (207) 753-9400
Fax: (207) 784-1335

Bangor Area Office (Area 2)

1423 Broadway, Suite 3
Bangor, Maine 04401
Telephone: (207) 990-3676
Fax: (207) 990-5092

Scarborough Area Office (Area 4)

306 US Route 1, Suite B1
Scarborough, Maine 04074
Telephone: (207) 883-0159
Fax: (207) 883-2740

