

# EXTEND USDA'S COMMUNITY FACILITIES RELENDING PROGRAM

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## WHAT IS USDA'S COMMUNITY FACILITIES (CF) RELENDING PROGRAM?

In 2016, the U.S. Department of Agriculture (USDA) launched the Community Facilities (CF) Relending Program to provide financing for essential community facilities in rural communities experiencing high and persistent poverty. The CF Relending Program adapted the existing CF Direct Loan Program by adding a role for an intermediary or relender to work with poorer communities of no more than 20,000 residents in accessing this long-term, low-cost debt. The relenders, many of which are CDFIs (community development financial institutions), were selected to participate based on their strong relationships with community leaders and their specialized expertise in lending in lower wealth markets. A total of \$401 million was made available to 27 relenders.

## HOW IT WORKS

The relenders assist community leaders in identifying eligible community facility projects and preparing applicants for financing for USDA review. Once a project is deemed eligible by USDA, the Department makes the funds available to the intermediary to relend to the borrower to finance the approved community facility project. Relenders originate, underwrite, and close the loans. As in the existing CF Direct Loan Program, funds may be used to purchase, construct, and/or improve community facilities, purchase equipment, and pay related project expenses. USDA funds are obligated to the relender at a low fixed interest rate for a 40-year term.

## THE CHALLENGE

Numerous community facility projects have been completed and over \$95.9 million in projects are in the pipeline, however implementation of the CF Relending Program has taken more time than originally anticipated. While financing of any kind in small, low-wealth markets poses challenges, implementation was also impacted by:

- **Delays at the USDA:** In standing up any new program, an agency will need time to retool procedures, develop guidelines, and revise its communications to program participants and other stakeholders. With the change in Presidential Administrations just months after relenders were chosen, there was a significant delay in relenders accessing the necessary guidance from the USDA to proceed with sourcing projects and submitting them to the USDA for approval. This uncertainty impacted the USDA state offices as well as the relenders and community leaders. Even after a year, some relenders reported lengthy delays in project approvals.
- **Prohibition of using CF Relending funds on construction:** Alternative sources of capital for the construction phase of CF Relending projects (typically 12–18 months) must be identified by the relender. CF Relending funds may be used for take-out financing after the construction phase but, cash flowing large construction projects limits a re-lender's ability to finance other projects until construction is complete. As the 5-year authorization deadline nears (September 30, 2021), relenders are understandably hesitant to embark on new projects and run the risk of not being able to draw down CF Relending funds if the construction phase takes longer than anticipated.

## RECOMMENDATION

OFN supports a five-year extension of the program through September 30, 2026, to allow relenders more time to access the full amount appropriated in 2016. There would be no new budget impact in FY 2021. Now that relenders and the USDA have moved beyond the initial implementation challenges, the program is poised to achieve its full potential by delivering needed community facility financing to the nation's high poverty rural communities.

## COMMUNITY FACILITIES RELENDERS AND THE SMALL RURAL COMMUNITIES THEY SERVE

- Arcata Economic Development Corporation, Northern California
- Building Hope, National
- CEN-TEX Community Development Corporation, TX
- Citizen Potawatomi Community Development Corporation, Tribal communities in OK and federally-recognized tribal entities across the country
- Community Ventures, KY
- Coastal Enterprises, Inc., National
- Craft3, OR and WA
- Dakota Resources, SD
- Farmers State Bank, Western MT
- Federation of Appalachian Housing Enterprises, Inc., The Appalachian portion of KY, TN, WV, VA, AL, and MD
- First Southwest Bank, Southwest CO
- Hope Credit Union, The MS Delta region counties in MS, AR, AL, and W. TN
- Hope Enterprise Corporation, The MS Delta region counties in MS, AR, AL, and W. TN
- Kentucky Highlands Investment Corporation, KY and WV
- Local Initiative Support Corporation, National
- Montana & Idaho Community Development Corporation, MT and ID
- National Council on Agricultural Life & Labor Research Fund, Inc., The 21-state north east/north central region including MD, DE, and VA
- North Carolina Community Development Initiative Capital, Inc., NC
- Prestamos CDFI, LLC, AZ and NV
- Rural Community Assistance Corporation, AK, AZ, CA, CO, HA, ID, MT, NV, NM, OR, UT, WA, and WY
- Rural Community Development Resources, Central WA
- Rural Electric Economic Development, Inc., 40 counties in Eastern SD and several counties in Western MN
- South Carolina Community Loan Fund, SC
- Southern Bancorp Community Partners, AR and MS
- The Support Center, NC
- United Bank, Southwestern AL & Northwestern FL

### PROJECT SPOTLIGHT: ORANGEBURG CONSOLIDATED SCHOOL DISTRICT 5 HIGH SCHOOL FOR HEALTH PROFESSIONS, ORANGEBURG, SOUTH CAROLINA

Located in a persistent poverty county, the Orangeburg Consolidated School District (OCSD) 5 High School for Health Professions is a bright spot in an underserved community. The South Carolina Community Loan Fund committed a \$3,825,000 loan to OCSD 5 to cover the cost of acquiring real estate to serve as the new home for the school. The new facility offers state-of-the-art technology, including learning labs where students can gain hands-on experience in a variety of medical disciplines and a computer lab offering students access to technologically advanced computer equipment. The 16,500 square foot space is situated on more than seven acres of land that will allow the school to expand as needed.

The school enrolls 372 students, 99 percent of who receive free/reduced lunch. The school boasts a 98.5 percent graduation rate over its nine years of operation and many of its graduates have gone on to be the first students in their families to attend college. The project was approved by the USDA in October 2017 and drew down funds in June 2018.

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