FEDERAL RESERVE BANK OF KANSAS CITY

community Reinvestment

COMMUNITY AFFAIRS DEPARTMENT

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Doing the Undoable Deals:

A Resource Guide to Financing Housing and Economic Development

Doing the Undoable Deals:

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A Map for the Maze

The project almost works—but not quite. With just a few more dollars, a new business can get started or an existing one can expand, new housing can be built or older housing can be renovated. It may be a business owner who is looking for a way to make a deal work, or community leaders looking for ways to provide new jobs, additional goods and services, or more affordable housing. The bottom line is, the dollars or the collateral or the expertise aren't quite there, and other alternatives are needed to make the "undoable" deal work.

. . . we offer a map for finding your way through the maze . . .

In this guide, we offer a map for finding your way through the maze of those alternatives. A sampling of federal financial and technical enhancements is included, but those programs—both public and private—will change as our communities change and our beliefs evolve regarding how to best balance individual and society responsibilities. What is needed is a method to locate possibilities, not just a listing of currently available programs.

. . . programs . . . will change as our communities change and our beliefs evolve regarding how to best balance individual and society responsibilities.

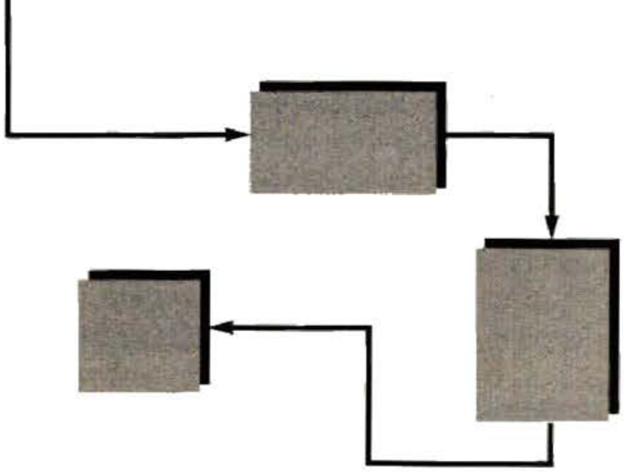
Gap financing that was formerly available through federal programs may instead be available through a state or local government, through nonprofit agencies or privately funded foundations—or not at all. Some projects that were doable in the past may not get done in the future. Other "undoable" deals will get done, however, by partners who have found creative new ways to make projects work. What will not change is the need for community leaders, lenders and development resource people to form partnerships and work together to improve their communities.

We encourage you to add regional, state and local programs to the guide. As federal programs change, you will be able to replace pages with updated summaries from the computer Bulletin Board or Internet pages of the Federal Reserve Bank of Kansas City. Our descriptions of current programs are brief: the intent is to provide just enough information for you to tell if an enhancement might be a potential fit for your project. If it sounds promising, additional information is available from the sources listed in the "contacts" section of the resource guide. We've tried to err on the side of brevity rather than length—we'd rather encourage you to check further into too many possibilities than too few.

. . . the process of partners working together to make undoable deals work is likely to change little.

The appropriate role of government in relation to community economic development will continue to be considered and reconsidered. We will have changes in leadership, changes in priorities, and changes in enhancement programs.

What will not change is the necessity of analyzing financing gaps in projects and finding alternatives for filling those gaps. New tools for development and new partnerships may be forged, but the process of partners working together to make undoable deals work is likely to change little. We think the framework provided in this guide will be useful to those partners well into the 21st century.



Development Finance: Doing the Undoable Deals

Lenders are facing increasing pressure to participate in community and economic development projects. Part of the pressure is in response to Community Reinvestment Act (CRA) responsibilities. But the interest often goes beyond that. Like other community members, lenders too are adversely affected by urban decay, economic disinvestment, and the lack of a diversified economy. The problems are often easy to identify. The difficulty is in finding widely acceptable solutions. A frequent suggestion is to undertake more community and economic development projects. This is the question facing lenders: Is it good business?

NO TERM FOR MARGINAL PROJECTS

The financial literature is replete with terms describing different types of financing—consumer finance, real estate finance, and commercial lending to name just a few. There is no term, however, that describes the financing of marginal projects and borrowers.

Deals with insufficient or too uncertain cash flows, too little collateral, not enough management experience, or that pose excessive interest rate risk or overhead costs are simply not done. For most lenders, their obligations to protect depositors' funds and earn profits for shareholders preclude excessive risk taking and inadequate profit margins. Indeed, these tenets of lending are basic, and lenders and their regulators pursue them vigorously.

Agencies Providing Assistance

Despite these perceived difficulties, many "undoable deals" may be "doable" because of their eligibility for financial and managerial assistance. Various government and philanthropic entities provide assistance to projects that aid economically disadvantaged individuals and communities. The basis for that assistance ranges from job creation and support for minority businesses to housing low-income individuals.

Many of the federal agencies providing this assistance are well known: the Small Business Administration (SBA), Rural Development (RD), and the Department of Housing and Urban Development (HUD). The state and local government programs, along with the philanthropic programs, are less familiar but are often as supportive as the federal programs. The process of using these program enhancements to make undoable deals bankable is termed development finance.

Article Objectives

This article has two objectives:

1. To examine the structuring of development finance deals.
2. To address the problems associated with institutionalizing development finance lending.

In both cases, the prevalent issues are the same as in conventional lending. Standard credit analysis principles guide the structuring of individual deals; overhead costs and interest rate risk considerations guide the decision to institutionalize the activity.

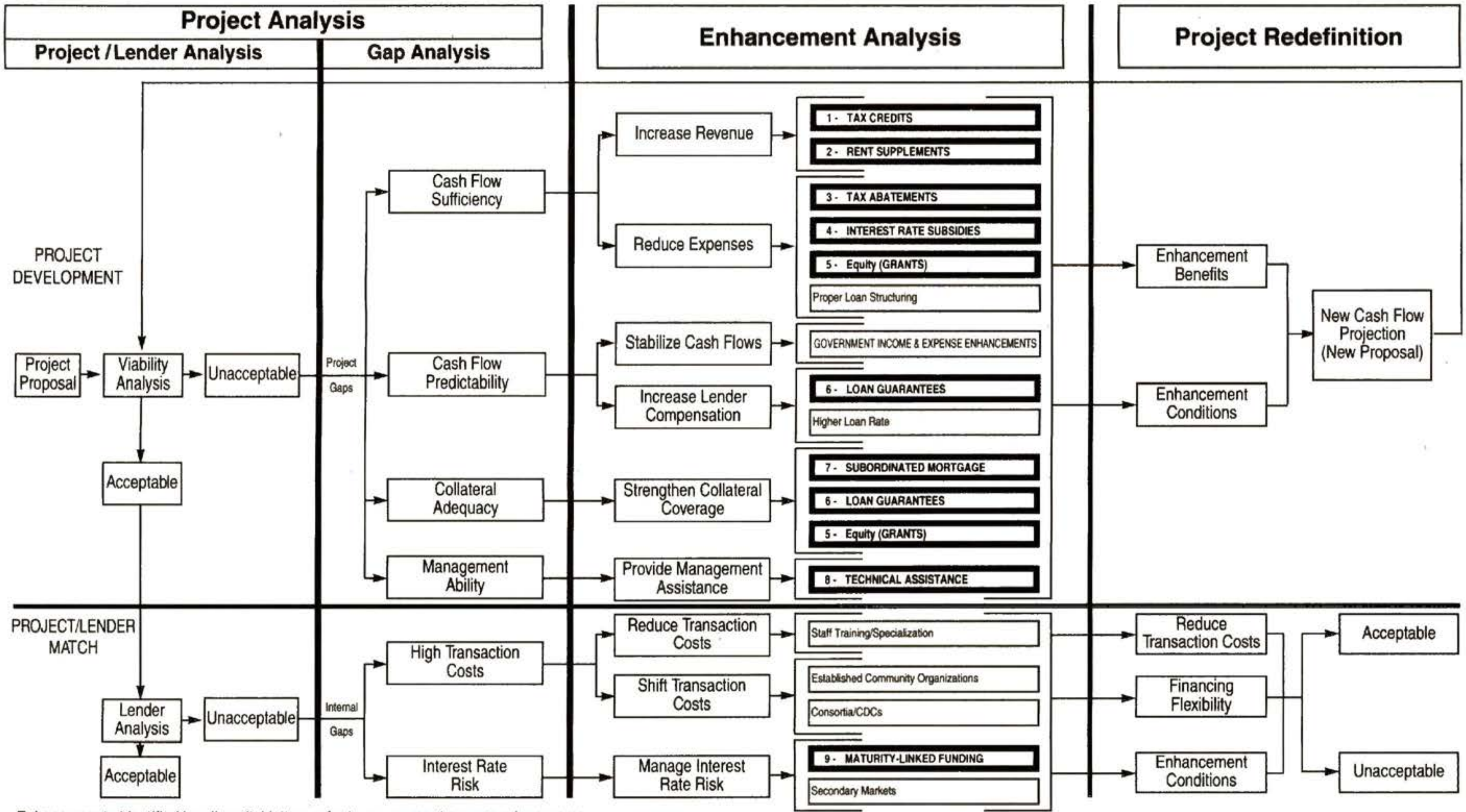
THE DEVELOPMENT FINANCE PROCESS

The starting point to understanding development finance lending is not the alphabet/numbers soup of government and philanthropic programs—CDBG, HUD, NHS, EDA, LISC, UDAG, GNMA, SBA, 221(d)(2), 235, 504, 312, and so forth. These programs are the caulking that fill the financial and managerial gaps in individual projects and mitigate the internal costs and risks associated with development finance lending. They are resources that can make deals work, but only after a thorough project analysis.

The critical issues and decisions associated with development finance lending are easily understood when analyzed sequentially (see Figure 1). The upper portion of the figure addresses credit issues associated with structuring individual projects. The lower portion addresses internal or organizational issues associated with development finance lending.

The project analysis section of Figure 1 (the upper portion) begins with credit analy-

DEVELOPMENT FINANCE: ENHANCEMENT APPLICATION PROCESS



Enhancements identified by all capital letters refer to government sponsored programs.
Enhancements with lower case letters denote private sector initiatives.

Figure 1

sis. Development finance projects are treated like any other project the lender considers and are subject to the same underwriting criteria. Projects that initially pass the credit test without enhancements are eligible for conventional financing. By definition, development finance projects will fail the test until enhancements are used.

For projects that fail the credit analysis, weaknesses or gaps are identified and matched with appropriate enhancements. Since the enhancements usually produce additional financial support, the project cash flows change. This change requires another credit analysis.

Projects often cycle through this process several times to obtain the optimal combination of enhancements. It is a discovery process which the Hungarian chemist, Albert con Scent-Gyorgyi, once described as "seeing what everybody has seen and thinking what nobody has thought." If the project can be made creditworthy, however, there is no guarantee it will be funded by a lender. Much depends on the lender's motivations and business interests.

Lenders who occasionally participate in such deals for community service reasons will likely fund the project. Conversely, lenders who make the activity a routine business must address internal costs (see the lower portion of Figure 1). Here again, the process involves identifying gaps and addressing them with enhancements.

The following sections explore the credit and institutional analyses individually.

CREDIT ANALYSIS ISSUES

The credit analysis part of the development finance process focuses on protecting the lender's funds. Lenders, in contrast to equity investors, demand a high probability of repayment and use the credit analysis process to obtain that assurance. Projects that pass a variety of credit tests are financed; those that do not are not financed.

A brief illustration of the credit analysis process for a nonprofit organization can be derived from the fixed asset financing example presented in Figure 2. Gross rent, based on projected rental rates, represents the maximum possible income from the project. From that, a vacancy contingency is deducted to determine the effective gross rent. This deduction gives an expected cash flow that is available for operating expenses and debt service.

Figure 2. Credit Analysis Example

GROSS RENT
\- Vacancy contingency
EFFECTIVE GROSS RENT (EGR)
\- Expenses
- Operating Expenses, Utilities, Management
- Property Taxes
- Insurance
- Maintenance/Repairs
- Replacement Reserve

NET OPERATING INCOME (NOI)
\- Debt Service (DS) (Principal and Interest)
CASH FLOW (CF)

$$\text{Debt Coverage} = \frac{\text{NOI}}{\text{DS}}$$

$$\text{Loan to Value} = \frac{\text{Principal Amount Borrowed}}{\text{Market Value of Collateral}}$$

$$\text{Cash Flow Rate} = \frac{\text{CF}}{\text{Owner's Equity Investment}}$$

Operating Expenses and Net Operating Income

Operating expenses must be met first. These expenses include the daily costs of operations, utilities, and management; property taxes; insurance; maintenance and repairs; and a reserve for replacing capital items. Deducting operating expenses from effective gross rent leaves net operating income.

Net operating income is the primary source of loan repayment. A measure often used to evaluate this source is the debt coverage ratio: net operating income divided by debt service expense. Projects with a value greater than 1.0 can service debt from operations.

For example, a ratio value of 1.25 means that expected net operating income exceeds debt service expenses by 25 percent. This 25 percent provides a margin of error in case income and expenses do not meet projections.

Collateral

If cash flow fails to service debt, lenders seek a secondary source of repayment in the form of collateral—typically the asset being financed. Loan-to-value ratios are a common collateral measure, comparing the value of the property to the loan against it. These ratios are usually less than 80 percent and vary according to the nature of the collateral.

Acceptable ratios are lower with specialized properties such as single-use manufacturing facilities and with properties in disadvantaged locations. Whatever the property, the appropriate measure of its value is its market value, not the amount invested. In the case of many community development projects, collateral value is considerably less than the construction cost simply because of the property's location.

Ownership Incentive

Another factor lenders consider in evaluating a project is ownership incentive. Even if a project produces sufficient cash flow to service debt, owners should get a sufficient return on their investment to ensure their continued interest.

A common measure of ownership incentive is the cash flow rate: cash flow divided by the owner's investment. With many development finance projects, these rates are far below the typical 15-20 percent minimums often required by investors. However, this deficiency need not pose problems. Equity investors in development finance projects are often satisfied with other incentives such as tax benefits or even the fulfillment of community service objectives.

These commonly used ratios often form the basis for the credit analysis box depicted in Figure 1.

While credit decisions are largely financial in nature, other factors are also important. Perhaps most important is the borrower's character. An honest, committed borrower with the knowledge and experience to succeed with a project is essential. Also, knowledge of the community and the local economy are essential to making sound lending decisions. If a project involves the leasing of commercial space, the creditworthiness of the lessors is also important. Factors such as these, while not specifically addressed in the credit analysis depicted here, must be considered and may be cause for denial.

. . . knowledge of the community and the local economy are essential to making sound lending decisions.

If the project passes the credit tests, it can be funded with conventional resources. However, if it fails the credit tests, a decision must be made about pursuing credit enhancements. This decision will depend on the project's eligibility for credit assistance and the willingness of the project sponsor to expend the effort to undertake further analysis. Assuming the decision is to proceed with further analysis, the next task is to identify project gaps and enhancements.

GAP AND ENHANCEMENT ANALYSIS

Lenders and investors have numerous reasons for not funding projects—such as sales projections are weak, overhead is too high, management experience is lacking, collateral is insufficient, and the business is too new. These deficiencies can be broadly classified as return, risk, and management gaps. Each represents a sound basis for not supporting a project.

Return Gaps

Low return is perhaps the most common project deficiency. Simply stated, income does not exceed operating expenses by a wide enough margin to justify either debt or equity funding. In terms of the credit analysis ratios previously mentioned, the debt coverage and cash flow ratios are too low or perhaps less than one. A variety of enhancements are available to augment return by increasing project income or lowering expenses.

Today, income supplements fall into two basic categories: rent subsidies and tax credits. The Section 8 housing certificate and voucher programs administered by the U. S. Department of Housing and Urban Development are the nation's rent subsidy programs. Under these programs, HUD helps low-income households obtain adequate housing by issuing certificates or vouchers for the difference between the cost of adequate housing in the market area and the renter's ability to pay. These payments thus enhance the landlord's revenues.

Unlike rent subsidies that enhance operating revenues, tax credits do not alter a project's financial statements. However, they are integral to the financial analysis of a project because they produce important returns to investors that emulate project income supplements.

At the federal level, tax credits exist for low-income housing and the preservation of historic buildings. Both allow investors to obtain federal tax credits for contributions of goods, services, and cash to approved organizations, including venture capital funds.

Expense Reduction Measures

A more common avenue for augmenting return is by reducing expenses. A wide range of programs are available.

Local governments often use real estate tax abatements to attract business development. Tax abatements are usually negotiated and therefore vary from project to project and city to city. The tax abatements reduce operating expenses and augment cash flow available for debt service and equity holders. Tax increment financing is another form of tax abatement that uses taxes for property improvements.

Interest rate subsidies increase the cash flow to market rate lenders and equity holders by lowering debt service costs. This, in turn, enhances project viability. The subsidies come in several forms depending on their source of funding. Local bond issues produce below market rate funds because of their tax-exempt status or the creditworthiness of the issuers. These funds are used for housing and business development. Another form of interest rate subsidy is a direct rate buydown whereby a third party helps make interest payments. Community Development Block Grant (CDBG) funds are often used for this purpose.

Compensating balances can be used to reduce interest expense and enhance project cash flow. For example, government units may deposit funds with a lending institution at low or zero interest rates provided the lending institution passes the lower rates on to borrowers. The deposits usually match in quantity and maturity the funds lent to the defined borrower(s). However, they do not serve as collateral to offset credit risks.

When commercial lenders participate in a deal at market rates, borrowers can still benefit through blended rate financing. Housing and community development agencies often have pools of funds (perhaps from CDBG loan repayments) that can be lent at low rates. When combined with market rate financing from commercial lenders, the financing package produces blended, below market rates.

In some cases, the lower cost funds also take a second position to the commercial lender. This position gives the commercial lender a higher claim on cash flow to service its loan and on collateral should the project fail.

Like interest rate subsidies, most equity grants reduce debt service costs because they offset some of the need for borrowing. Cities often own vacant land and buildings, particularly in lower income areas, that can be the starting point for housing or business development projects. Urban homesteading programs are a common example of equity grants for housing. Under these programs qualified, low-income home buyers can buy homes for a nominal amount provided they meet residency and property rehabilitation requirements.

. . . many nontraditional equity sources . . . seek benefits other than a high return on investment.

Individuals and corporations are often in a similar position to make property grants as a result of plant closings or tenants moving. Property grants may also carry with them tax benefits. Whatever the motivation, property grants enhance project equity and lessen the need for borrowing.

In addition to property grants, cash grants are sometimes available from public agencies or foundations to reduce loan principal or to help make down payments. In the case of home purchase loans, the loan down payment subsidies are often repayable upon sale of the property.

There are also many nontraditional equity sources that seek benefits other than a high return on investment. Since the 1986 tax law reform, corporations are the only entities that can offset earned income with "passive" losses.

This tax benefit has made them prime candidates for syndication efforts.

Corporate and foundation grants to project sponsors are also popular, as are investments by national and local community development organizations. Community Development Corporations (CDCs) are equity investment vehicles for national banks, state member banks, and for bank holding companies. The Local Initiatives Support Corporation (LISC), an affiliate of the Ford Foundation, is a nationally based organization that relies on corporate investments for funding. It helps pay front-end development costs for projects in target cities.

In a somewhat different way, "sweat equity" is also a nontraditional source of equity. It represents an investment from the borrower in the form of personal labor. In some instances, it may be used toward a down payment. This equity addresses a major financing problem for many home buyers who can qualify for monthly payments but lack the savings to make a down payment. Sweat equity is often a component in home improvement or purchase loans in low-income neighborhoods.

A conventional technique often used to lessen the debt service burden is to extend debt maturities. This extension reduces periodic principal payments and lowers the overall debt service burden. The practice can be risky because it prolongs the lender's exposure to credit risk. Although extending debt maturities does not involve direct subsidies, the decision may depend on the existence of other subsidies that give the lender better access to cash flow or recourse to collateral. For example, a charitable foundation equity holder seeking benefits other than cash returns may provide a measure of comfort to the lender.

A final means of reducing operating expenses is the use of small business incubators. Incubators allow small businesses to share common facilities and office personnel including secretarial and bookkeeping services and conference room space. Many incubator tenants can access technical expertise from nearby colleges and universities; some have affiliations with technology-based industries. Sharing these services with other small businesses can reduce many operating expenses.

RISK GAPS

Cash Flow Risk

While low return problems relate to a project's expected level of income or cash flow, cash flow risk relates to the certainty or uncertainty of the cash flow. If a project's cash flow were certain, the decisions to invest and lend would be easy. But since it is not, lenders must carefully weigh their exposure.

One means of addressing cash flow risk is to stabilize income and expenses. The various income and expense subsidies that address the low return problems often act as stabilizers. For example, low-income housing projects that have rental rates below market rates often have long waiting lists of qualified renters. This list ensures low vacancy rates and stabilizes rental income. Similarly, tax abatements or fixed-rate financing stabilize expenses and cash flow.

If a project's cash flow were certain, the decisions to invest and lend would be easy.

Another option for addressing cash flow risk is to risk-price loans. This can be as simple as charging higher rates on loans that are riskier or as sophisticated as using loan guarantees (see discussion below) to insure and sell loans on the secondary market. The sale of guaranteed loans on the secondary market offers a substantial profit potential because the lender reaps the benefit of converting a loan with traditional market risk into a less risky instrument backed by the insurer.

SBA loans, for example, can be made at rates of up to 2 3/4 percent over prime. When these are sold on the secondary market to yield slightly over the Treasury Bill rate, they bring a substantial premium. Of course, only the guaranteed portion can be sold in this manner.

Collateral Risk

If cash flow fails to materialize, lenders look to collateral as a secondary source of repayment; it provides a fallback. Several options are available to strengthen collateral on development finance projects.

Use of subordinated financing or "soft" second mortgages is a direct way to enhance collateral. A government or community development organization lends part of the needed funds and agrees to take a second position to the first mortgage lender on the collateral. Since the subordinated mortgages often carry a below market rate, the borrower gets a blended or below market rate on the entire financing package.

Loan guarantees enhance collateral by guaranteeing its value. This is done by insuring a portion—usually 75-100 percent—of the loan against default. The Federal Housing Administration (FHA) and the Veterans Administration (VA) are major federal insurers of home mortgages while the Small Business Administration insures small business loans.

In addition, many state and local loan guarantee programs encourage various housing and business development projects. These programs often take the form of collateralized deposits kept by the insurer at the lending institution. Funding usually comes from grants, such as CDBG funds.

The benefits of loan guarantees extend beyond the collateral issue. There is an active market for the guaranteed portion of loans backed by nationally recognized insurers. This gives lenders the option of selling guaranteed loans to raise funds for additional lending. It also raises lenders' loan limits, since the guaranteed portion of loans does not count against regulatory lending limits. Even when guaranteed loans are held in the lender's portfolio, they enhance liquidity because they are readily marketable.

Finally, collateral positions can be strengthened through increased use of equity financing. This lowers the need for financing and strengthens loan to value ratios.

Management Gaps

Management is a final project-related concern in all small business ventures. It is often of special concern in real estate development projects where the developer is a not-for-profit developer. Business ventures require a breadth of expertise and a wide variety of management services ranging from the development of business plans to accounting and secretarial services.

To address management gaps, two significant resources are available: incubators and management consultants. The benefits of incubators were discussed previously. In addition to those benefits, there is often an additional benefit to the tenants who can learn from their fellow entrepreneurs' solutions to similar problems.

Management consultants are helpful for technical problems as well as general management problems. The SBA, through its Service Core of Retired Executives (SCORE), provides experienced management consultants to small businesses. Also, many colleges have small business development centers that provide business and technical assistance.

Return, risk, and management enhancements bring constraints along with subsidies. These constraints include job creation requirements and housing disadvantaged people. All the constraints must be satisfied. When several programs are used, the constraints of each must be compatible with the original project as well as with the constraints of the other programs.

In the end, the enhancements will produce new project cash flows that must be reanalyzed in the credit analysis process. If the project remains uncreditworthy, it can be analyzed again, and other program enhancements added. However, the project must eventually pass the credit analysis test to have a chance for approval.

INSTITUTIONAL ANALYSIS ISSUES

Successful completion of the credit analysis process does not assure project financing. The lower portion of Figure 1 depicts the institutional issues that must be addressed before the funding decision is made.

Two Basic Problems Precluding Funding

Two basic problems may preclude a lender from funding a creditworthy development finance project:

1. High transaction costs associated with assembling, analyzing, or monitoring the credit.
2. Long-term funding risks.

The former is an overhead issue concerned with recovering the often extensive costs associated with development finance projects. As is evident from the section describing the credit analysis process, lenders must have a high level of expertise and spend a significant amount of time to assemble and manage deals while juggling a maze of government and private program restrictions.

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When combined with a modest volume of activity, this often translates into excessive overhead. However, a variety of cost reduction and cost shifting efforts can mitigate the transaction cost burden for the lender and make the activity profitable. The latter issue, interest rate risk management, is familiar to most lenders and is also eligible for a variety of enhancements.

Transaction Cost Gaps

Cost reduction efforts for organizations funding development finance projects generally focus on two areas: staff training and organizational structuring. In the area of staff training, knowledge of the development finance process is essential. The Federal Reserve System through its Community Affairs programs has been an active participant in training efforts, largely through the sponsorship of seminars explaining available program enhancements.

Also, the agencies offering program enhancements are generally willing to assist program users. In recent years, many of those agencies have undertaken efforts to reduce the paperwork and make their programs more user friendly.

Organizational structuring is also critical to controlling transaction costs. By focusing community development lending activities in a single department or with a specialized group of people, lenders can take advantage of knowledge and experience developed from the activity.

In addition to undertaking efforts to minimize transaction costs, lenders can shift some of those costs to others. One popular means is to establish working relationships with community organizations such as not-for-profit development companies and neighborhood organizations. These groups are often helpful in defining credit needs and products. Depending on their purpose and expertise, they may assist with marketing, project development, or even credit screening of potential borrowers.

Another approach to shifting transaction costs is to form a community development corporation or CDC. Banking regulations permit their formation as national bank, state member bank, and bank holding company subsidiaries. While they have latitude to engage in a wide variety of activities from real estate development to property management, a major benefit can be reaped by absorbing transaction costs.

. . . the agencies offering program enhancements are generally willing to assist program users.

Most CDCs are formed as not-for-profits so they can use funds from government and philanthropic sources to structure deals. This lets the lender's organization control the deal while others help underwrite it. If the deal is bankable, then the CDC's affiliate bank can participate as a lender without incurring excessive transaction costs.

Maturity Gaps

The funding risk issue is a function of credit maturity. Many development finance credits, whether business or housing related, are longer maturity credits--including financing for plant, equipment, and home purchase. Banks generally lack longer term funding sources and are not willing to fund long-term loans with short-term deposits. The risk of paying more for their funds than they get is too great. Several options are available for dealing with this issue.

A direct means of addressing interest rate risk is to match sources of funds with uses so that both are of the same maturity. Many state and local government entities, foundations, corporations and pension funds are willing to commit long-term deposits to lending institutions contingent on their making similar term loans to specified borrowers.

Usually the depositor is not at risk if the loan defaults. These arrangements do not absolve lenders of credit risk. Furthermore, if the borrower repays the loan early or defaults and the deposit is not withdrawn until its original maturity, the lender also bears some interest rate risk. State linked-deposit programs are a typical example of matched funding. In some instances, the deposits are made at below market rates provided the favorable rates are passed on to the borrower.

The secondary market is another alternative for minimizing interest rate risk. Because of various government loan insurance programs, insured loans can be frequently sold on the secondary market. This limits interest rate risk to the short time period needed to package the loans for sale. Even this risk can be minimized using futures market hedges.

When the secondary market is not available—usually because the loans have nonstandard terms or they do not meet insurer standards—private placements may be an option. State and local governments, foundations, and others often have loan purchase programs funded by local bond issues, churches, and other sources.

For example, the Colorado Housing and Finance Authority will purchase the guaranteed portion of an SBA loan with fixed rates on the guaranteed portion. The lender funds the unguaranteed portion at a variable rate. This solves the lender's interest rate risk exposure, and since up to 90% of the loan carries a fixed rate, the borrower also has little interest rate risk exposure.

Other programs also offer an outlet for loans that do not comply with national loan packaging standards. For example, Neighborhood Housing Services of America will purchase noncomplying home improvement and rehabilitation loans in Neighborhood Housing Services (NHS) neighborhoods.

Like the credit enhancements, the institutional enhancements produce a variety of financial benefits and constraints. Again, the constraints must be carefully addressed. Ideally, the benefits will be significant enough to overcome the obstacles to funding and managing creditworthy development finance projects. For an occasional deal, the institutional issues may not be that important. For the lender interested in pursuing development finance as a line of business, they are critical.

Two observations about the process depicted in Figure 1 deserve special attention. First, the existence of government and philanthropic enhancements in development finance deals is not a sign of weakness. The enhancements are an integral part of the deals.

Second, profits and risks should be balanced. Credit weaknesses are not tolerable and lenders should get competitive returns. If a project cannot pass conventional credit tests, it should not be funded. Similarly, lenders should not routinely fund development finance projects if they cannot cover their transaction costs and manage the interest rate risks associated with the business.

OBSERVATIONS AND CONCLUSIONS

Any discussion of the development finance process would be incomplete without mentioning the people involved. Structuring and funding development finance deals is a partnership effort involving bankers, assistance program administrators, community leaders, and project sponsors among others. While the parties often have different agendas and may even be competitors, they are all integral to the deal, and all must agree on a project's viability. They are, in many respects, like a loan review committee; each member has veto power over the deal.

While the success of individual deals is never guaranteed, the partnership nature of the effort and the veto power of each partner improve the chances of success.

Development finance is doing "undoable deals." It is making some projects work that would not work without enhancements. While the success of individual deals is never guaranteed, the partnership nature of the effort and the veto power of each partner improve the chances of success. No one wins if a deal fails, and the deal is made stronger when each party adheres to its investment standards. For lenders, this means lending for a profit and prudently managing their risks as they would for any other type of loan.

—Larry G. Meeker

Development Resources

Tax Credits

Other:

Tax Credits

Tax credits increase a project's cash flow by reducing tax obligations of equity investors, developers and/or owners of development or rehabilitation projects.

Criteria

Projects receiving tax credits must:

- create or retain jobs;
- stimulate investment in eligible real property, improvements, machinery or equipment;
- preserve historic buildings;
- create low-income housing; and/or
- provide other designated public benefits.

Uses

- Tax credits are most commonly used for historic preservation, low-income housing, jobs and capital investment.
- Tax credits can serve as equity in real estate development projects because they produce a stable source of project-related revenue and may be sold to limited partners for cash.
- Tax credits are often used in designated improvement areas such as enterprise zones, where they can be used with other enhancements.
- Tax credits may encourage investment in property with limited marketability due to historic designation constraints or neighborhood characteristics.

Structure

- Tax credits are authorized and monitored by federal, state, or local governments.
- Programs are administered either directly by government or through a quasi-governmental organization.
- Tax credits are rationed by rules and/or negotiation, depending upon the crediting authority.

HISTORIC PRESERVATION TAX CREDITS

National Park Service, U. S. Department of the Interior

This program provides tax credits for rehabilitation of historic structures to property owners and long-term lessees.

Eligibility

Rehabilitation must be certified as having preserved and enhanced the historic character of the property. Requirements include:

- a certified historic structure, i.e. a building individually listed in the National Register of Historic Places or a building that contributes to a historic district that is either listed in the register or locally designated and certified by the National Park Service;
- a certified rehabilitation of a certified historic structure where the work meets the Secretary of the Interior's Standards for Rehabilitation;
- a depreciable building, i.e., one used in trade or business or held for the production of income and not an owner-occupied residence;
- substantial allowable rehabilitation expenses, i.e., they must exceed the greater of the adjusted basis of the building or $5,000; and
- completion of the rehabilitation within two years, or five years if a project is phased.

Program

- Credits equal a maximum of 20 percent of allowable costs for the rehabilitation of certified historic buildings for commercial, industrial and rental residential purposes, or 10 percent credit for rehabilitation for non-residential purposes of structures built before 1936.
- The straight-line depreciation period for residential property is 27.5 years; for non-residential property, the period is 31.5 years.
- Applications are submitted to the state office of historic preservation and reviewed by the National Park Service.

Contact

State Historic Preservation Office or
National Park Service

LOW-INCOME HOUSING TAX CREDITS

Low-Income Housing Tax Credits provide a dollar-for-dollar credit that reduces federal income tax liability for developers or limited partner investors in low-income rental housing.

Eligibility

- Developers constructing or rehabilitating low-income housing may apply for credits for themselves or for limited partner investors.
- A project must set aside a minimum of 20 percent of the units for households earning 50 percent or less of the area median income or a minimum of 40 percent of the units for households earning 60 percent or less of the area median income.
- The proposed property must entail new construction, acquisition and/or substantial rehabilitation.

Program

- States administer the program and award the credits based on housing plans submitted by developers in a competitive applications process.
- Qualified new construction and substantial rehabilitation costs earn credits at a rate of approximately 9 percent each year for a ten-year period, or 4 percent per year if tax-exempt bonds or other federal subsidies are used.

Contact

State Housing or Economic Development Office

Rent Supplements

Other:

Rent Supplements

Rent supplement programs pay to a property owner or developer the difference between the amount a low-income tenant pays for rent and the market or contract rent amount.

Criteria

- Properties must provide affordable housing and must meet requirements for space and bedroom configuration.

Use

- Rent supplements improve cash flow by increasing development project revenue.

Structure

- Rent supplements may be in the following forms:
  - certificates are property-based payments to property owners for the difference between what low-income renters pay and the market rate;
  - housing vouchers are provided to tenants for use in paying rent on their choice of qualified housing, and
  - subsidies to property owners compensate for costs of property rehabilitation and management.
- Rent cannot exceed 30 percent of a tenant's gross monthly income.
- Supplement amounts are based on the area median income and market rents.
- Some rent supplement programs are structured for use in conjunction with local government and private sector funds.

HOME INVESTMENT PARTNERSHIP PROGRAM

HOME Program, U. S. Department of Housing and Urban Development (HUD)

Federal funds are granted to local jurisdictions and are used in working with private partners to leverage funds and expand the availability of affordable housing through a broad range of innovative approaches.

Eligibility

- Programs must develop or support safe, decent and sanitary affordable housing for low- and very-low-income residents whose incomes fall at or below 80 percent of the median income for the area.

- Eligible uses of funds include tenant-based rental assistance, assistance to home buyers, property acquisition, new construction, rehabilitation, transitional housing, and capacity-building.

- Jurisdictions receiving funding must have a HUD-approved Comprehensive Housing Affordability Strategy (CHAS), or consolidated plan.

- Jurisdictions must provide a 25 percent match of funds received for rental assistance, housing rehabilitation and acquisition, and a 30 percent match for new construction. Contiguous units of local government may form a consortium to receive HOME funds.

- Funds are allocated to participating jurisdictions through a formula based on the jurisdiction's vacancy rate for low-income renters, the amount of substandard housing, housing production costs, number of units needing rehabilitation, number of families in poverty, and fiscal capacity.

Program

- Model program areas include rental housing production, rental rehabilitation, rehabilitation loans, sweat equity, home repair services grants, energy efficiency conservation grants, and second mortgage assistance for first-time home buyers.

- Fifteen percent of funds are reserved for Community Housing Development Organizations (CHDOs); 1 percent of funds appropriated are reserved for Indian tribes.

Contact

State Office of Housing or U. S. Department of Housing and Urban Development

RENTAL HOUSING CERTIFICATE PROGRAM

U. S. Department of Housing and Urban Development (HUD), Section 8

Rent payments are made to property owners for the difference between rent paid by a tenant and fair market rent.

Eligibility

- Eligible families earn less than 80 percent of the area median income. Most assistance is for very-low-income families earning less than 50 percent of the area median income.

- Any type of housing can be eligible as long as units are decent, safe and sanitary.

Program

- Eligible tenants receive a certificate from the Public Housing Authority (PHA) stating the terms and conditions of their participation; they then find appropriate housing.

- HUD enters into contracts with local public housing agencies and Indian housing agencies (IHAs) that administer the program. The PHA makes assistance payments to private owners who lease their rental units to assisted families.

- Tenants pay 30 percent of their adjusted income toward rent.

- Tenants may move to another property and keep their certificate.

Contact

Local Public Housing Authority or
U. S. Department of Housing and Urban Development

RENTAL HOUSING VOUCHER PROGRAM

U. S. Department of Housing and Urban Development (HUD), Section 8

Low-income families are assisted in housing rent payments through vouchers for the difference between a percentage of their income and market-rate rents.

Eligibility

- Eligible applicants are the very low-income tenants whose incomes do not exceed 50 percent of the median income.
- Preference is given to families who are occupying substandard housing, are involuntarily displaced, or are paying more than half their income for rent.

Program

- Low-income families receive rental vouchers and then locate suitable rental units. Vouchers cover the difference between market rate rental and the higher of 30 percent of the tenant's adjusted income or 10 percent of gross income.
- HUD enters into contracts with local public housing agencies (PHAs) and Indian housing agencies (IHAs) that administer the program. The PHA makes assistance payments to private owners who lease their rental units to assisted families.
- Rents are negotiated between the owner and the tenant. Vouchers permit families to rent units beyond the fair market value, but the PHA may disapprove a lease for rent that is not considered reasonable and is not comparable to other rents in the area.
- The total level of HUD's annual contribution to a voucher program is based on review and approval of a housing authority's request for funding.
- Rental housing selected by the eligible families must meet the specifications required by the program.

Contact

Local Public Housing Authority or
U. S. Department of Housing and Urban Development

RURAL HOUSING VOUCHERS

Rural Development (RD)
U. S. Department of Agriculture

Rural housing vouchers provide assistance to renters of rural housing.

Eligibility

- Assistance is available for very-low-income families.

Program

- Assistance is calculated using a payment standard based on the fair market rent established for the area.

- The monthly assistance payment for a family is the amount by which the payment standard for the area exceeds 30 percent of the family's monthly adjusted income.

- The subsidy cannot exceed the difference between the actual rent for the dwelling unit (including utilities) and 10 percent of the family's gross monthly income.

Contact

Rural Development
U. S. Department of Agriculture

RURAL MUTUAL AND SELF-HELP HOUSING

Rural Development (RD)
U. S. Department of Agriculture

Financial assistance is available for individuals and families who participate in mutual and self-help programs to build or rehabilitate rural homes.

Eligibility

- Assistance is available for very-low-income families.

Program

- Assistance is calculated using a payment standard based on the fair market rent established for the area.
- The monthly assistance payment for a family is the amount by which the payment standard for the area exceeds 30 percent of the family's monthly adjusted income.
- The subsidy cannot exceed the difference between the actual rent for the dwelling unit (including utilities) and 10 percent of the family's gross monthly income.

Contact

Rural Development
U. S. Department of Agriculture

Tax Abatements

Other:

Tax Abatements

Tax abatements enhance cash flow on projects by reducing expenses through abatement of local property taxes for a specified time.

Criteria

- Tax abatement is often available in an area designated as blighted, such as an urban renewal district or an enterprise zone.

Uses

- This program is generally offered as a tool to promote new construction or rehabilitation.

Structure

- The property tax on improvements to private development projects is "forgiven" or abated up to 100 percent by local government.
- The length of time of the tax abatement usually ranges from 10 to 25 years.
- Property tax paid to the local taxing authority during the abatement period is based on the property's assessed value before the project's expansion.

Tax Increment Financing

Tax increment financing (TIF) is authorized by some states as a tool for using a portion of the increase in taxes generated by a new project to help finance project-related costs.

Criteria

- Criteria and eligibility vary from state to state.
- State statutes usually require a TIF project area to be designated as a blighted area or an enterprise zone.
- Redevelopment plans using TIF often must be submitted to all affected local tax jurisdictions and usually to a TIF commission. Jurisdictions such as a county commission or a local school board may have the power to veto the use of tax increment financing if they find it will adversely affect their operations.

Uses

- Tax increment financing bonds can be used to purchase a site, construct a building, fund demolition or rehabilitation of an existing building, and for other permitted uses.

Contact

State Housing or Economic Development Office

Interest Rate Subsidies

Other:

Interest Rate Subsidies

Interest rate subsidies typically use public dollars to reduce the cost of borrowing for business or housing development.

Criteria

- Projects that receive interest rate subsidies must demonstrate that jobs are being created or retained or affordable housing for low- and moderate-income households is being improved or produced.

Uses

- Interest rate subsidies improve project cash flow by decreasing loan payments.

- The final user or borrower pays a below-market interest rate on either one loan or on a "blended rate" from multiple market-rate and subsidized loans.

Structure

- Interest rate subsidies may take three forms: a direct cash grant to a lending institution to write down the bank's interest rate on a business or housing loan; a government-sponsored low interest loan subordinated to a participating commercial lender; or a lower than market rate loan to a qualified borrower as a result of an advance or pass-through provision from a public entity, i.e., Federal Home Loan Bank or tax-exempt bond authorities.

- Typical sources for interest subsidies are government programs such as Community Development Block Grant funds for cities and states, state maturity-linked funding programs, and economic development set-asides from state treasuries. Proceeds from the sale of tax-exempt bonds issued through designated authorities and funds advanced to banks from a Federal Home Loan Bank are also sources of funds with below-market rates.

FARM LABOR HOUSING
Rural Development (RD)
U. S. Department of Agriculture

This program authorizes loans to support the development of housing and facilities for domestic farm labor.

Eligibility

- Farm owners or associations of farm owners, nonprofit organizations, Indian tribes, and state or local agencies are eligible for loans.
- Applicants must generally be unable to provide housing from their own resources, but must have sufficient operating capital to cover the costs of property and liability insurance, fidelity premiums, equipment, and other initial expenses.
- Domestic farm workers must be citizens or have legal alien status and must receive a substantial portion of their income in the handling of agricultural commodities.
- Retired or disabled persons who meet the definition of domestic farm workers at the time of retirement or disability are also eligible.
- Interest on loans must not exceed 1 percent per year.

Program

- Loans to state and local government agencies and nonprofits can include up to 2 percent of the project development cost for initial operating expenses.
- The term of loans cannot exceed 33 years.

Contact

Rural Development
U. S. Department of Agriculture

RURAL HOME IMPROVEMENT LOANS, REPAIR LOANS AND GRANTS

Rural Development (RD)
U. S. Department of Agriculture

Loans and grants are available to rural homeowners for home repairs and improvements.

Eligibility

- Recipients must own and live in property on a farm, in the open country, on an Indian reservation, or in towns with population of up to 10,000 or in eligible towns of up to 20,000.
- Recipients may not qualify for loans from commercial lenders.
- Loans and grants may be used to bring houses up to minimum health and safety standards.
- Loans may also be used to make changes for the convenience of the residents, such as adding a room or modernizing the house.
- To receive a combination of grant and loan funds, an applicant must be 62 years or older and able to pay for only a part of the repairs; to receive grants, applicants must be 62 years or older and unable to pay for any repairs.

Program

- Very low-income families can receive up to $5,000 in a loan, a combination loan and grant, or a full grant to remove health hazards.
- Loans up to $1,500 must be repaid within 10 years; between $1,500 and $2,500 within 15 years; and loans over $2,500 within 20 years.
- The interest rate on loans to very low-income borrowers is 1 percent.
- Families with higher incomes can borrow up to $7,000, with interest rates that are usually 1, 2 or 3 percent, based on the household's income.
- Other home improvement loans are repayable in 33 years, with market interest rates or "interest credits" depending on family size and income.

Contact

Rural Development
U. S. Department of Agriculture

RURAL HOUSING LOANS
Rural Development (RD)
U. S. Department of Agriculture

Guaranteed loans, direct loans and credit toward interest on loans are available for housing in rural areas.

Eligibility

- Loans are to be made for homes located either on a farm or in a designated rural area.
- Direct loans are made primarily to low- and very-low-income borrowers.
- Repair and rehabilitation loans may be made to finance improvements to existing dwellings.
- Loans may be used for the purchase of a new manufactured home and lot, and to finance acquisition of an existing home and lot.

Program

- Homes must be modest in size, design and cost and not exceed the housing needs of the applicant.
- Loans terms may range from 10 to 38 years.
- Interest credit provides a subsidy to very-low-income and low income borrowers to reduce the effective rate on a home purchase.

Contact

Rural Development
U. S. Department of Agriculture

Equity Grants

Other:

Equity Grants

Equity grants are made in the form of cash contributions, gifts or sale of property at reduced cost.

Criteria

- To be eligible for equity grants, projects must contribute to local housing and commercial revitalization efforts.
- Recipients may be required to meet other criteria, such as bringing property up to code standards or selling or renting property at specified rates.

Uses

- Equity grants strengthen collateral and improve project cash flow.
- Uses vary among grantors, programs, and projects.

Structure

- Equity grants are often used with other enhancements.
- Grants are usually negotiated with the grantor.

AFFORDABLE HOUSING PROGRAM (AHP)
Federal Home Loan Banks (FHLB)

Federal Home Loan Banks make grants or loans to member institutions, which then make funds available to borrowers for projects.

Eligibility

- Lenders must be members of the Federal Home Loan Bank.
- Projects may be for purchase, construction or rehabilitation of single-family or multi-family affordable housing units.
- Borrowers must be very low-, low- or moderate-income, with preference given to projects that serve the greatest percentage of very low-income households.
- Projects must support the priorities of the Federal Home Loan Bank.

Program

- Grants are made for down payments, principal reduction or interest rate buy-downs.
- Loans with favorable terms are often structured to be forgiven if project criteria is met.
- Competition for funding is held in each of the ten Federal Home Loan Bank Districts, and awards are made to lenders' who score the most points according to FHLB criteria, objectives and priorities.
- Priorities include projects that support owner-occupied affordable housing; projects that will have at least 20 percent of their units occupied by very low-income households; purchase or rehabilitation of housing owned by government entities or nonprofit organizations; projects that empower residents in ways that help meet critical urban or rural housing needs; and projects that provide permanent housing for the homeless.
- Objectives include projects that promote long-term retention of affordable housing and community stability, projects that involve the community, and innovative projects.

Contact

Federal Home Loan Bank

Loan Guarantees

Loan Guarantees

Loan guarantee programs strengthen collateral by securing part of a loan against default, often making the guaranteed portion of the loan eligible for sale in a secondary market.

Criteria

- Loan guarantee programs are established primarily to meet needs of a target population or to encourage development that meets specified community needs.

Uses

- Loan guarantee programs are offered by federal, state and local governments to complement private financial institution lending.
- A wide variety of uses of loans are supported by guarantee programs, including fixed asset and working capital financing.
- By making a loan eligible for sale in a secondary market, guarantees enhance the liquidity of the lender.

Structure

- Funds for loan guarantees may come from a variety of both public and private sources.
- By insuring loans against default, loan guarantees help encourage financial institutions to make loans on projects that are considered more risky than conventional loans.
- Federal guarantee programs are budgeted as part of agencies' annual appropriations.
- HUD Community Development Block Grants (CDBG) are the primary source of loan guarantees in cities with populations of 50,000 or more.
- States use CDBG funds or other state revenues to make loan guarantees available in small towns and rural areas.
- The guaranteed portion of a loan usually does not count against a bank's legal lending limit.

BUSINESS AND INDUSTRY GUARANTEED LOANS
Rural Development (RD)
U. S. Department of Agriculture

Rural Development guarantees bank loans for financing business expansions, job creation and job retention activities in rural areas.

Eligibility

- Individuals, public and private organizations, and federally recognized Indian tribal groups are eligible.

- Borrowers must have 20 to 25 percent tangible balance-sheet equity for new businesses and 10 percent for existing businesses.

- Borrowers must be in a rural area with population of 50,000 or less that has high unemployment.

- Loans can finance the acquisition of land, buildings, machinery and equipment; working capital; debt refinancing; housing development sites; processing and manufacturing facilities; pollution control projects; and site development for housing for area employees.

- Projects must demonstrate marketability, sufficient financial strength and continuity of management.

Program

- Participating banks apply directly to RD.

- Maximum guarantees are 70 percent for loans over $5 million; 80 percent for loans over $2 million but less than $5 million; and 90 percent for loans of $2 million or less. Loans of less than $750,000 are usually referred to the SBA. Loan maturity is up to seven years for working capital, five to 15 years for purchase of machinery and equipment, and up to 30 years for real property.

- Rates may be fixed or variable and are determined between the lender and the borrower. A 2 percent fee is charged on the guaranteed portion of the loan.

Contact

Local Bank or Rural Development
U. S. Department of Agriculture

GUARANTEED HOME LOANS FOR VETERANS

U. S. Department of Veteran Affairs (VA)

This program guarantees against loss by lenders for mortgage loans to eligible veterans.

Eligibility

- Loans can be used to purchase and/or improve a single-family house; purchase a home or condominium in a VA-approved project; refinance an existing loan; buy a mobile home and/or lot on which to place a mobile home; or for home weatherization.
- Veteran must have served at least 90 days active service in wartime or 181 continuous days in peacetime, unless an earlier discharge is attributable to a service-connected disability. Veteran must not have been discharged under other than honorable conditions.
- World War I veterans are not eligible for the guarantee program. Reserve active-duty training and active-duty training in the National Guard does not qualify candidates unless they were called into regular active duty.

Program

- Up to 50 percent of a loan is guaranteed, or a maximum of $45,000.
- A down payment is not required by the VA if the purchase price is less than the value of the property as determined by the VA. If the price is more than the established value, the veteran must make up the difference.
- Maximum loan maturity is 30 years plus 32 days.
- Rates are negotiable with the lender. Rates are fixed for the life of the loan, but loans may be refinanced for a lower rate.
- Fees include a loan origination fee of 1 percent, a VA funding fee of 1 percent, and closing costs. Discount points may not be paid in connection with VA financing.
- Lender must apply to VA office for guarantee.

Contact

U. S. Department of Veterans Affairs

HOME MORTGAGE INSURANCE PROGRAMS

U. S. Department of Housing and Urban Development (HUD)
Federal Housing Administration (FHA)

The Federal Housing Administration (FHA) insures loans made by private lenders, making lower interest rates or more favorable terms available to borrowers.

Eligibility

- Loans must be made by banks, savings and loan associations, mortgage companies, and other lending institutions that meet HUD/FHA requirements.
- Prospective borrowers generally must meet cash requirements at closing, must have good credit records, and must be able to make monthly mortgage payments.
- Loans may be for purchase, refinance and rehabilitation of homes, for cooperative units, condominium units and manufactured housing.

Program

- A wide range of mortgage insurance programs are available, including programs for low- and moderate-income borrowers, disaster victims, the elderly, homes on Indian reservations and on Hawaiian Home Lands, and experimental housing.
- The level of insurance risk, mortgage limits, and types of mortgagors who qualify vary from program to program.

Contact

U. S. Department of Housing and Urban Development
Federal Housing Administration

INDIAN HOUSING LOAN GUARANTEE PROGRAM

U. S. Department of Housing and Urban Development, Section 184

This program guarantees loans for homes owned by Native Americans on trust land or in Indian or Alaska Native areas.

Eligibility

- The borrower must be an Indian who will occupy the home or an Indian Housing Authority.
- Loans may be used for the construction, acquisition or rehabilitation of one- to four-family dwellings located on trust land or in an Indian area.
- Tribes must have foreclosure, eviction, and priority of lien procedures.
- Lenders must be approved by the Secretary of Housing and Urban Development, the Secretary of Agriculture, the Secretary of Veterans' Affairs, or must be supervised, approved, regulated or insured by any agency of the federal government.

Program

- Loans may be guaranteed for up to 100 percent of the unpaid principal and interest.
- The term of loans is 30 years, with a fixed interest rate.
- Borrowers pay a modest down payment amount and a 1 percent guarantee fee.
- Qualified Mutual Help program participants can use the program to attain home ownership.

Contact

U. S. Department of Housing and Urban Development

INDIAN LOAN GUARANTEE FUND

Bureau of Indian Affairs, Division of Financial Assistance
U. S. Department of the Interior

This fund guarantees business loans made by private lenders to Native Americans and may provide interest subsidies.

Eligibility

- Applicants must be a federally recognized tribe or Alaskan Native group; a member of such a tribe or group; or an Indian-owned corporation, partnership or cooperative association.
- Funds may be used to finance Indian-owned commercial, industrial, or business activities organized for profit, provided eligible Indian ownership constitutes at least 51 percent of the business.
- Loans must benefit the economy of an Indian reservation.
- Interest subsidies may be granted when a business is incurring losses.

Program

- Individual guarantees are limited to $350,000; the maximum for tribes or organizations is $5.5 million.
- The borrower must have minimum equity of 20 percent of project funding in cash or unencumbered assets to be used in the proposed business.
- Maturities may extend up to 30 years and vary with the use of funds and repayment capacity of the borrower.
- Interest rates are variable. The maximum interest rate for a 90 percent loan guaranty is equal to 1.5 percent above the New York prime; the maximum for an 80 percent loan guaranty is equal to 2.75 percent above the New York prime.
- Interest subsidy amounts are based on the difference between the Treasury interest rate for direct loans and the interest rate charged by the lender. Subsidies are limited to the first three years of the loan.

Contact

Bureau of Indian Affairs

RURAL DEVELOPMENT HOME OWNERSHIP LOANS

Rural Development (RD)
U. S. Department of Agriculture

Guaranteed or direct loans are available in rural areas to finance homes and building sites.

Eligibility

- Eligible borrowers are very low-, low- or moderate-income persons or families.
- Borrowers must be without decent, safe and sanitary housing.
- Borrowers must be unable to obtain a loan with reasonable terms and conditions from other sources.
- Borrowers must have sufficient income to pay mortgage payments, insurance, taxes, and living expenses. Persons with inadequate repayment ability may obtain cosigners for the loan.
- Loans may be used to buy, build, improve, repair or rehabilitate rural homes and related facilities, and to provide adequate water and waste disposal systems.
- Loans may be used to modernize homes by adding bathrooms, central heating, modern kitchens and other improvements.
- Under certain conditions, funds may be used to refinance debts on a home.
- Houses must be located on sites where roads, water and waste disposal systems meet RD requirements.

Program

- Loans may be made for up to 100 percent of the RD-appraised value.
- The maximum repayment period is 30 to 38 years.
- When a borrower's financial position makes him/her eligible to borrow through a commercial lender, the loan will be refinanced.

Contact

Rural Development
U. S. Department of Agriculture

SBA 7(a) LOAN GUARANTEE PROGRAM
U. S. Small Business Administration

The SBA 7(a) program guarantees repayment to private lenders of a portion of conventional loans to small businesses.

Eligibility

- Businesses must be operated for profit and must meet SBA size standards.
- Loans must be for expansion, renovation, or construction of new facilities; purchase of land, buildings, machinery, equipment, fixtures, leasehold improvements, or inventory; or for working capital or debt refinancing.
- Owner equity of 10 to 30 percent is required for existing businesses; 30 to 50 percent equity is preferred for companies in a start-up phase.
- Businesses cannot be involved in speculation or investment in rental real estate.
- Applicants must show good character, management expertise and commitment, and ability to repay the loan.

Program

- The maximum amount of guarantees is $750,000, with an 80 percent guarantee on loans of $100,000 or less, and 75 percent on loans over $100,000.
- Lenders approved for the SBA Preferred Lenders Program may unilaterally originate loans with a guarantee of up to 80 percent.
- Loan maturity depends on ability to repay, but is generally five to seven years for working capital and up to 25 years for real estate.
- Interest rates are negotiable and may be fixed or variable. Loans under seven years have a maximum rate of prime plus 2.25 percent; seven years or more, maximum 2.75 percent over prime. Rates for loans under $50,000 may be slightly higher.
- The lender may retain the guaranteed portion of the loan or sell it in the secondary market.

Contact

Local Bank or U. S. Small Business Administration

SBA SPECIAL LOAN PROGRAMS

U. S. Small Business Administration

SBA offers a variety of special loan guarantee programs that are similar in structure to the basic 7(a) Loan Guarantee program.

- **LOW DOCUMENTATION LOANS** (LowDoc) provide financial assistance to companies needing up to $100,000. A one-page application and high-speed fax machine help SBA respond to applications in three to five working days.

- **SMALL GENERAL CONTRACTOR LOANS** assist small construction firms with short-term financing needs. Loan proceeds can be used to finance residential or commercial construction or rehabilitation of property for sale. Proceeds cannot be used for real estate used for investment purposes.

- **SEASONAL LINE OF CREDIT GUARANTEES** assist small businesses with short-term needs during peak seasons.

- **ENERGY LOANS** assist firms engaged in manufacturing, selling, installing, servicing or developing specific energy measures.

- **EXPORT REVOLVING LINE OF CREDIT GUARANTEES** provide short-term financing for exporting firms that are at least one year old and are developing or penetrating foreign markets.

- **INTERNATIONAL TRADE LOAN GUARANTEES** are available in amounts up to $1 million for the acquisition, construction, renovation, modernization, improvement or expansion of facilities or equipment to be used in the United States in the production of goods and services involved in international trade.

- **MINORITY PREQUALIFICATION LOANS** are for up to $250,000 and are available in select geographical pilot sites. The program helps eligible small businesses access capital through the use of local, private-sector organizations. Eligibility requirements include businesses that are at least 51 percent owned and managed by a racial or ethnic minority person(s).

- **MICROLOAN PROGRAMS** are administered through nonprofit intermediaries selected and approved by SBA. Short-term loans of up to $25,000 are made to small businesses for a variety of needs.

Contact

U. S. Small Business Administration

Subordinated Mortgages

Other:

Subordinated Mortgages

Subordinated mortgages are direct loans that are in a subordinated collateral position to the primary lender.

Criteria

- Subordinated mortgages are made available for projects that meet quantifiable objectives such as housing low-income people, creating jobs through business expansion, etc.
- Requirements vary, but may include criteria such as a limit on the subordinated mortgage in proportion to the total project cost, minimum equity investment, rents that can be charged to tenants, etc.

Uses

- Subordinated mortgages strengthen the collateral position of the first mortgage lender.
- Some subordinated mortgages are "near equity" and may be partially or completely forgiven over time.

Structure

- Subordinated mortgages are often used with other enhancement programs.
- Revolving loan funds generally operate as subordinated mortgages.
- Subordinated mortgages often carry an interest rate subsidy.

SBA 504 CERTIFIED DEVELOPMENT COMPANY LOAN PROGRAM

U. S. Small Business Administration (SBA)

The SBA 504 program is a source of long term, subordinated mortgage funds that makes loans with subsidized interest rates available for small business financing.

Eligibility

- Loans must be made through SBA Certified Development Corporations (CDCs).
- Borrowers must operate as for-profit businesses and not exceed $6 million in net worth and not have average net income over $2 million for the previous two years. Equity must equal at least 10 percent of the amount of financing. Loans must be for purchase of land, buildings, machinery, equipment, and fixtures; construction and renovation of commercial facilities; and project-related costs.
- At least one job must be created for every $35,000 in SBA assistance unless the project will produce a high community impact.

Program

- The 504 program is a subordinated mortgage program for permanent financing for fixed-asset purchases. It also makes below-market interest rates available to borrowers through the blending of interest rates.
- For 100 percent SBA-backed debentures, the limit of the SBA portion on a project is $750,000 to $1 million, or 40 percent of total project costs, whichever is less. The minimum loan amount is $50,000.
- Loan maturity is generally 10 to 20 years.
- A typical financing structure consists of a loan from a private sector lender for 50 percent of project costs, a 40 percent debenture from the CDC that is 100 percent guaranteed by the SBA, and 10 percent equity.
- Interest rates are based on five- and ten-year U. S. Treasury issues, plus an increment above Treasury rate.

Contact

Local Bank or U. S. Small Business Administration

Technical Assistance

Other:

Technical Assistance

Technical assistance is available to help individuals, organizations, and businesses develop management capacity or obtain technical services in conjunction with development projects.

Criteria

- Criteria are established by the provider of the technical assistance and usually stipulate assistance for designated populations or for specific needs.
- Technical assistance may be available to assist potential homeowners, business owners, or nonprofit or for-profit developers in moving forward with a project that will benefit the community.
- Technical assistance may be a condition of a funding provider prior to the recipient receiving financial assistance.

Uses

Technical assistance may include:

- free or low-cost legal and accounting services and advice;
- office support for tenants in an incubator project;
- assistance to small-business or minority contractors in preparing bid documents and obtaining bonding for a construction project;
- assistance with marketing analysis, environmental impact assessment, or other pre-development costs;
- pre- or post-purchase homebuyer counseling;
- training to develop management skills.

Structure

- Government may provide direct assistance, or may fund an agency or organization to provide technical assistance to target audiences.
- Through a major company or business or civic council, the private sector may "loan" executives to assist eligible recipients.

ADMINISTRATION FOR NATIVE AMERICANS GRANT

U.S. Department of Health and Human Services

Grants are available for technical assistance and training related to governance, economic development, and social development.

Eligibility

The following entities are eligible for these grants:

- federally recognized Indian tribes, consortia of Indian tribes, incorporated non-federally recognized tribes;
- incorporated non-profit, multi-purpose, community-based Indian organizations;
- urban Indian centers;
- national or regional incorporated organizations with objectives specific to the Native American community;
- public and nonprofit agencies serving Native Hawaiians and Alaska Natives.

Program

- Funding must be used for technical assistance and training to develop, conduct, and administer projects.
- There is no set maximum or minimum grant amount; however, maximum program benefits are 80 percent of program cost.
- Terms of grants may be single or multi-year.
- Approximately $5 million in grants are distributed during three closings each fiscal year, usually in February, May, and October. An announcement regarding the grant is usually made in the *Federal Register* in August.

Contact

Administration for Native Americans
U. S. Department of Health and Human Services

BIA MANAGEMENT AND TECHNICAL ASSISTANCE

Bureau of Indian Affairs, Division of Financial Assistance
U. S. Department of the Interior

Management and technical assistance is available to loan or grant applicants before or concurrently with their requests for financial assistance.

Eligibility

- Funds must be used to aid in the preparation of application for funds, and/or the administration of funds after they have been granted.
- Applicants must be a federally recognized Indian tribe or Alaskan Native group; a member of such a tribe or group; or an Indian-owned corporation, partnership or cooperative association.

Program

- There is no set maximum amount and no set term.
- BIA expects the project to be beyond the "idea stage."

Contact

Bureau of Indian Affairs
U. S. Department of the Interior

HOME OWNERSHIP COUNSELING PROGRAMS

Counseling is offered to educate potential home buyers about credit, home ownership, and the loan application process.

Eligibility

- Programs are designed for first-time low- and moderate-income borrowers, but are usually open to any interested person.
- Some lenders and some loan programs require buyers to complete a home buyer's education course before they can receive a loan.

Program

- Home buyer education courses may be sponsored by community organizations, lenders, churches or others.
- Classes may be one-time sessions or may be held over a series of weeks.
- Materials may be developed locally, purchased from the Federal National Mortgage Association (Fannie Mae), or purchased through other sources.

Contact

Local Lenders or Community Organizations

RURAL SELF-HELP HOUSING TECHNICAL ASSISTANCE

Rural Development (RD)
U. S. Department of Agriculture

Loans and technical assistance are available through nonprofit organizations to help groups of families build homes in rural areas.

Eligibility

- Small groups of low-income families who cannot individually afford to build modest houses by customary methods may qualify.
- Each participating family must be able to repay a loan for the cash cost of the house.
- Loans may be used to pay for skilled labor and contract costs for work the families are unable to perform.
- Loans may be used to buy material, and if necessary, to buy and prepare building sites.
- Technical assistance funds may be used to hire personnel and pay office and administrative expenses.
- Technical assistance funds make equipment such as power tools available to families participating in construction.
- Technical assistance funds may be used for fees to train self-help group members in construction or for other needed professional services.

Program

- The self-help group decides how members will share labor and what parts of the work need to be done by outside contractors.
- Families must work a required number of hours to complete the houses, under the guidance of a construction supervisor.
- Families must attend pre-construction meetings and must agree to carry out responsibilities of home ownership after housing is completed.

Contact

Rural Development
U. S. Department of Agriculture

SERVICE CORPS OF RETIRED EXECUTIVES (SCORE)

U. S. Small Business Association

SCORE volunteers work with small businesses to provide management counseling and training.

Eligibility

- Almost any small independent business not dominant in its field can get help from SCORE.

Program

- SCORE volunteers help business owners and managers identify and determine the causes of basic management problems and become better managers.

- Workshops are offered on a variety of topics to business owners and prospective entrepreneurs.

Contact

Local U. S. Small Business Administration

SMALL BUSINESS DEVELOPMENT CENTERS (SBDC)

Small Business Development Centers are established through the resources of the Small Business Administration and other public and private entities to offer assistance, information and training to small business owners.

Eligibility

- Almost all small businesses are eligible for assistance.

Program

- Management and technical assistance, business information and training are available through workshops or individualized consultations.

Contact

Local Small Business Development Center or
U. S. Small Business Administration

Maturity-Linked Funding

Other:

Maturity-Linked Funding

Funds are deposited in or loaned to a bank for a time matching the maturity of the associated bank loan. Sometimes the bank pays a below market interest rate on the funds and in turn will make its loans to eligible borrowers at below-market interest rates.

Criteria

- Banks using maturity-linked funding must meet program requirements such as using the funds for housing or funding companies that create or retain jobs.
- Eligible projects may include fixed assets and working capital for new, existing and expanding businesses or for housing development. A business must be located in, or moving to, the jurisdiction offering the program.
- Deposits must be secured or collateralized by government debt securities, treasuries, or other securities as specified. Other potential sources are philanthropic, foundation or pension funds.

Uses

- Maturity-linked funds provide an incentive for banks to provide longer-maturity loans.
- Uses include business expansion, working capital and home mortgages.

Structure

- Banks wishing to participate in linked funding programs must apply to the sponsoring entity.
- The interest paid by the lender is sometimes indexed several basis points below the cost of funds on the market.
- Rates are fixed for the linked funding period of the deposit.
- Terms vary from one to five years on most business financing programs and up to 15 years with housing finance programs.

COMMUNITY INVESTMENT PROGRAM (CIP)
Federal Home Loan Banks (FHLB)

Federal Home Loan Banks advance funds to lenders to allow them to provide maturity-linked and moderately subsidized loan assistance for eligible activities.

Eligibility

- Lenders must be members of the Federal Home Loan Bank.
- Funds may be for purchase, construction or rehabilitation of single family or multi-family affordable housing units or for commercial and economic development activities.
- Household income of housing unit residents must be below 115 percent of the area median.
- Commercial and economic development activities must be located in or benefit low- or moderate-income neighborhoods.
- Funds are awarded to lenders who score the most points according to FHLB criteria, objectives and priorities.

Program

- Advances provide funds to FHLB members at slightly reduced interest rates.
- Maturities can range from one month to finance delays in closing reimbursements from state mortgage revenue bond programs to up to 20 years for eligible housing and commercial projects.
- Program objectives include promoting long-term retention of affordable housing and community stability, community involvement, and innovation.
- The price of advanced funds is based on the estimated cost to the FHLB of consolidated obligations. Banks with an outstanding rating on Community Reinvestment Act activities may receive a small discount on the cost of funds.

Contact

Federal Home Loan Bank

FEDERAL HOME LOAN BANK ADVANCED FUNDS

Federal Home Loan Bank System (FHLB)

Federal Home Loan Banks advance funds to member banks to ensure the availability of funds and mitigate risks associated with mortgage lending.

Eligiblity

- Banks must be members and purchase stock in the Federal Home Loan Bank system.
- Banks must have a specified level of home mortgages in their portfolios to be eligible for advances.
- Funds must be used for activities related to residential housing finance.

Uses

- Advances can help minimize banks' risk in interest rate variability by providing funds at a fixed interest rate for a fixed period of time.
- Banks' basis risk, when funding is priced using a different benchmark than the assets on which a loan is made, can be balanced by borrowing FHLB funds through different funding programs.
- Advances can help balance lenders' portfolios by diversifying the sources and maturities of their funding base.

Structure

- Twelve regional Federal Home Loan Banks make funds available to banks in their regions.
- Programs vary and may have flexible interest rates and terms negotiated between the member bank and and the FHLB.

Contact

Federal Home Loan Bank

Secondary Markets

Other:

Secondary Markets

Residential and business mortgages may be purchased from lenders by federally-chartered, government-sponsored enterprises or by private secondary market purchasers.

Criteria

- Secondary market purchasers establish underwriting criteria for loans they will buy; they may negotiate terms with a lender for loans that do not meet their standard criteria.

Uses

- The secondary market helps balance availability of funds for mortgages throughout the country.

- Purchase of mortgages in the secondary market gives lenders:

  - increased liquidity of funds and access to capital;

  - additional options with underwriting criteria;

  - decreased risk of lower profits because of interest rate changes;

  - decreased risk of lower profits because of early payback of loans.

Structure

Secondary market purchases are structured in various ways:

- Mortgage-backed securities represent shares in a pool of mortgages. These are sold to individual investors, making additional capital available for mortgages.

- With mortgage-backed bonds, the mortgage originator or purchaser retains ownership of the mortgages, which are deposited with a trustee and used as collateral for bonds issued to raise capital.

- Mortgage securities are used as collateral for other transactions; the security holder sells the mortgage security to an investor with an agreement to repurchase the security after a specified period at a specified interest rate.

FARMER MAC I POOLED LOAN PROGRAM

Federal Agricultural Mortgage Corporation (Farmer Mac)

Farmer Mac provides a secondary market for agricultural real estate and rural housing loans by allowing loans to be sold into loan pools that serve as collateral for securities sold to the investing public.

Eligibility

- Eligible uses include purchase of property used for the production of agricultural commodities and consisting of at least five acres or producing at least $5,000 in annual receipts.
- Loans for rural housing must be in rural areas or communities of 2,500 or less, must not have a purchase price of more than $109,200 (adjusted for inflation), or be on no more than 10 acres of land.
- Loan originators must own and maintain a minimum amount of Farmer Mac-issued shares of voting stock.
- Poolers must be certified by Farmer Mac and meet requirements of the program.

Program

- The pooled deposits that provide a guarantee of repayment for investors help manage the risk of interest rate changes.
- Loan amounts cannot exceed 75 percent of the appraised value of the land and dwelling, or 85 percent with private mortgage insurance.
- Amortization may be up to 30 years.
- Rates are fixed through negotiation between the lender and borrower.
- Equity is subject to the lender's criteria for the originated loan.

Contact

Federal Agricultural Mortgage Corporation

FARMER MAC II GUARANTEE PROGRAM
Federal Agricultural Mortgage Corporation (Farmer Mac)

Lenders may sell the guaranteed portions of Rural Development (RD) loans to Farmer Mac, resulting in increased liquidity for lenders and reduced interest rate risks associated with long-term, fixed-rate loans.

Eligibility

- The guaranteed portion of Rural Development loans for farm ownership and farm operating loans, which may be newly-originated or existing, can be sold to Farmer Mac.

- Loans in portfolio must have at least 12 months remaining term, have valid assignable guarantees, be current and not delinquent in the previous 12 months, and not have an early payoff, delinquency, liquidation or default.

- Lenders must follow RD standards and procedures for originating farm ownership and operating loans.

Program

- The ability to sell guaranteed portions of loans helps lenders manage interest rate risk.

- Rates are fixed and are seven-year fully amortized or 20-year fully amortized farm ownership loans with five- or 10-year resets.

- Equity is subject to the lender's criteria.

- Maturities are the same as the prevailing lender's criteria for RD loans.

Contact

Federal Agricultural Mortgage Corporation

FEDERAL HOME LOAN MORTGAGE CORPORATION (FREDDIE MAC)

Freddie Mac purchases mortgages and resells them in the form of guaranteed mortgage securities.

Eligibility

- Loans must be originated by federally insured savings and loan associations, other federally insured financial institutions, or HUD approved mortgage bankers.
- Loans cannot exceed 80 percent of the value of the property unless the seller retains at least 10 percent participation in the mortgage; the amount in excess of 80 percent is insured by an approved private mortgage insurer; or the seller agrees to repurchase or replace the mortgage in case of default.
- Loan-to-value ratios cannot exceed 95 percent for one-and two family properties and 90 percent for three- and four-family properties.
- Loans on single-family homes can be up to $207,000; for two-family homes up to $264,750; for three-family homes up to $320,050; and for four-family homes, up to $397,800.
- Mortgages must meet credit, appraisal and underwriting criteria established by Freddie Mac.
- Loans insured by the Federal Housing Administration or guaranteed by the Veterans Administration must be at least one year old before purchase.
- Mortgage originators and servicers must be approved by Freddie Mac.

Program

- Freddie Mac commits to purchase a variety of fixed-rate, adjustable-rate, and graduated-payment first mortgages, which are usually converted to securities and sold for cash in the form of participation certificates.
- Whole loans and participations of 50 to 95 percent are purchased on one- to four-family properties, with 15- and 30-year terms.
- Second mortgages on single family homes and conventional mortgages on multifamily properties with five or more units are purchased.

Contact

Federal Home Loan Mortgage Corporation

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FANNIE MAE)

Fannie Mae is a publicly owned corporation, chartered by Congress, that invests in mortgages originated by lenders.

Eligibility

- Conventional, FHA-insured, or VA-guaranteed loans may be purchased, ranging in value from up to $207,000 for single-family homes to up to $397,800 on four-family homes.

- Multifamily mortgages on conventionally-financed or FHA-insured projects are also eligible for purchase.

- If a conventional mortgage is for more than 80 percent of the value of the property, private mortgage insurance is generally required on the portion of the loan exceeding 75 percent of the value of the property.

- If the borrower's down payment is less than 10 percent, housing expenses should not exceed 25 percent of the borrower's monthly income, and housing expenses and installment debt combined should not be above 33 percent.

- Loan originators and servicers must be approved by Fannie Mae for each type of loan they plan to sell to Fannie Mae.

Program

- Fannie Mae issues commitments to purchase a specified dollar amount of loans from a lender.

- Lenders pay fees to Fannie Mae, usually between 1/2 and 2 percent of the amount of commitment.

- Fannie Mae will purchase a wide variety of types of mortgages for purchase and rehabilitation of different types of housing.

Contact

Federal National Mortgage Association

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA/GINNIE MAE)

Ginnie Mae purchases mortgages generated by subsidized programs to support the construction and purchase of low-income housing.

Eligibility

- Mortgages must be insured or guaranteed by the Federal Housing Administration (FHA), Rural Development (RD), or the Veterans Administration (VA).
- Mortgages in Ginnie Mae mortgage-backed security pools must have interest rates higher than the security rate.
- Lenders must be approved by Ginnie Mae and must have a guaranty commitment from Ginnie Mae before issuing securities.
- An issuer of Ginnie Mae securities must be an FHA-approved mortgagee and must be approved by Ginnie Mae or Fannie Mae as a mortgage servicer.

Program

- Ginnie Mae is part of the Department of Housing and Urban Development and most of its programs are carried out under contract with the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac).
- Ginnie Mae can guarantee the timely payment of interest and principal on securities issued by lenders.
- Most Ginnie Mae securities are pass-through certificates representing interest in a pool of mortgages for which the payment of interest and principal is passed on to investors.
- A GNMA pool of mortgage-backed securities must consist of the same types of loans with the same interest rate.
- A GNMA II program may include multiple-issuer jumbo pools and may have interest rates that vary by up to 1 percent.

Contact

Government National Mortgage Association

Additional Resources

Other:

COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)

U. S. Department of Housing and Urban Development (HUD)

Community Development Block Grants are allocated to state and local jurisdictions.

Eligibility

- CDBG projects and activities must principally benefit low- and moderate-income persons, aid in the prevention or elimination of slums or blight, or meet other urgent community needs.
- Entitlement communities, states, small cities, Indian tribes, and special purpose programs, including technical assistance, are eligible for block grants.
- Spending is subject to federal regulations or state regulations under state-administered programs.
- No less than 70 percent of the funds must be used for activities that benefit low- and moderate-income persons over a period specified by the grantee, not to exceed three years.

Program

- Funds to entitlement areas are allocated using formulas that consider the extent of poverty and extent of housing overcrowding.
- Entitlement cities develop their own programs and funding priorities.
- Activities that can be carried out with block grants include provision of public facilities and improvements such as water and sewer, streets, and neighborhood centers, and assistance to profit-motivated businesses to help with economic development activities.

Contact

Local government housing or economic development agency or
U. S. Department of Housing and Economic Development

Contacts

Administration for Native Americans
U. S. Department of Health and Human Services
348F Hubert H. Humphrey Building
200 Independence Ave., S.W.
Washington, D.C. 20201
(202) 690-7776
Internet: http://www.os.dhhs.gov

Bureau of Indian Affairs (BIA)
U. S. Department of the Interior
1849 C Street, N.W.
Washington, D.C. 20240
Fax: (202) 208-6334
Internet: http://www.usgs.doi/bureau-indian-affairs.html

Federal Agricultural Mortgage Corp. (Farmer Mac)
919 18th St. N.W., Suite 200
Washington, D.C. 20006
(800) 879-3276
Internet: jmh@macmail.ccmail.compuserve.com

Federal Home Loan Banks
Office of Finance
11921 Freedom Drive, Suite 1000
Reston, VA 22090
(703) 487-9500

Federal Home Loan Mortgage Corporation (Freddie Mac)
8200 Jones Branch Drive
McLean, VA 22102
(800) 373-3343

Federal National Mortgage Association (Fannie Mae)
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016-2899
(800) 732-6643
Internet: http://www.fanniemae.com

Government National Mortgage Association (Ginnie Mae)
T - U. S. Department of Housing and Urban Development
451 Seventh Street, S.W.
Washington, D.C. 20410
(202) 708-0926

Housing and Urban Development, U. S. Department of (HUD)
P - Public and Indian Housing
451 Seventh Street, S.W.
Washington, D.C. 20410
(202) 708-0980
Internet: gopher://gopher.hud.gov/11/hud.program.area.munus%7e/pih%7e

Interior, U. S. Department of
National Park Service
1849 C Street, N.W.
Washington, D.C. 20240
(202) 208-3171
Internet: http://www.usgs.doi.gov

Rural Development (RD)
U. S. Department of Agriculture
14th Street and Independence, S.W.
Washington, D.C. 20250
(202) 720-2791
Internet: http://www.rurdev.usda.gov

Small Business Administration, U. S. (SBA)
409 Third Street, S.W.
Washington, D.C. 20416
(800) 827-5722
Internet: http://www.sbaonline.sba.gov/intro.html

Veterans Affairs, U. S. Department of (VA)
Veterans Benefits Administration
Washington, D.C. 20420
(202) 273-5674
Internet: http://www.va.gov

Agency and Program Index

Thank you . . .

The staff of the Community Affairs Department of the Federal Reserve Bank of Kansas City is appreciative of the partners across its seven-state district and beyond whose involvement has contributed to the creation of this Resource Guide. People from banking and community organizations, state and federal agencies, and local community development organizations have worked with us to create similar resource guides for their constituencies and to present workshops on financing those difficult housing and business deals—deals that are undoable outside the context of local partnerships. The themes and titles of the workshops and resource guides—"Partnerships in Housing," "Energizing Your Local Economy," "Increasing Lending on Indian Reservations," etc.—reflect both the partnership nature and the benefits of these efforts.

We also thank the various federal agencies that have provided information about development enhancements; however, any inaccuracies are ours, not theirs. We want to emphasize that this document is designed to serve as a general guide and framework, not as a final program reference. Many programs are not included, and as this document goes to press, legislation is pending that will change how some of the federal programs we have included will work. In addition, a host of state and local enhancements further broaden project financing possibilities. We encourage you to add information about these resources to this guide to expand its usefulness in exploring financing options for your projects.

To use the guide, first identify the nature of your project's resource gaps, then look to the enhancement categories pertinent to that gap to find potential project resources. To learn more about those resources, contact the appropriate agencies for current, definitive program information. For information about workshops, or for updated versions of the Resource Guide via the Internet, contact the Federal Reserve Bank of Kansas City.

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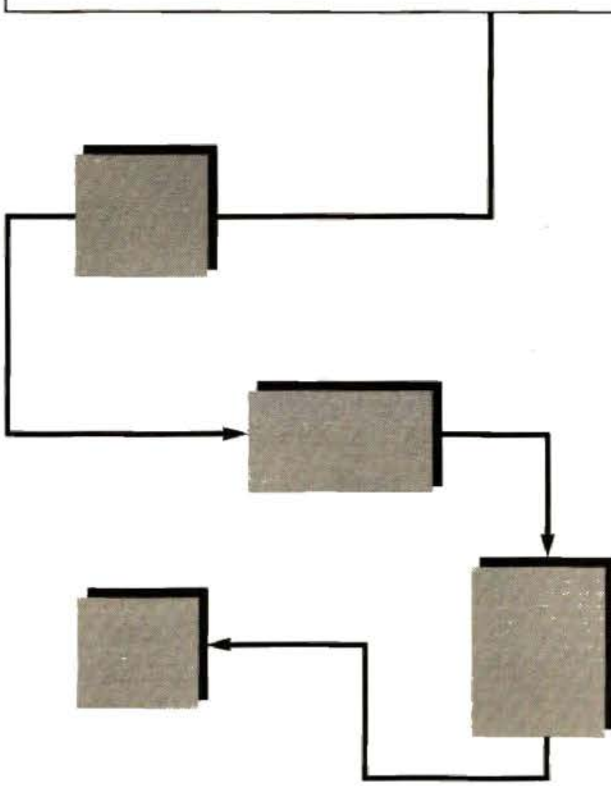

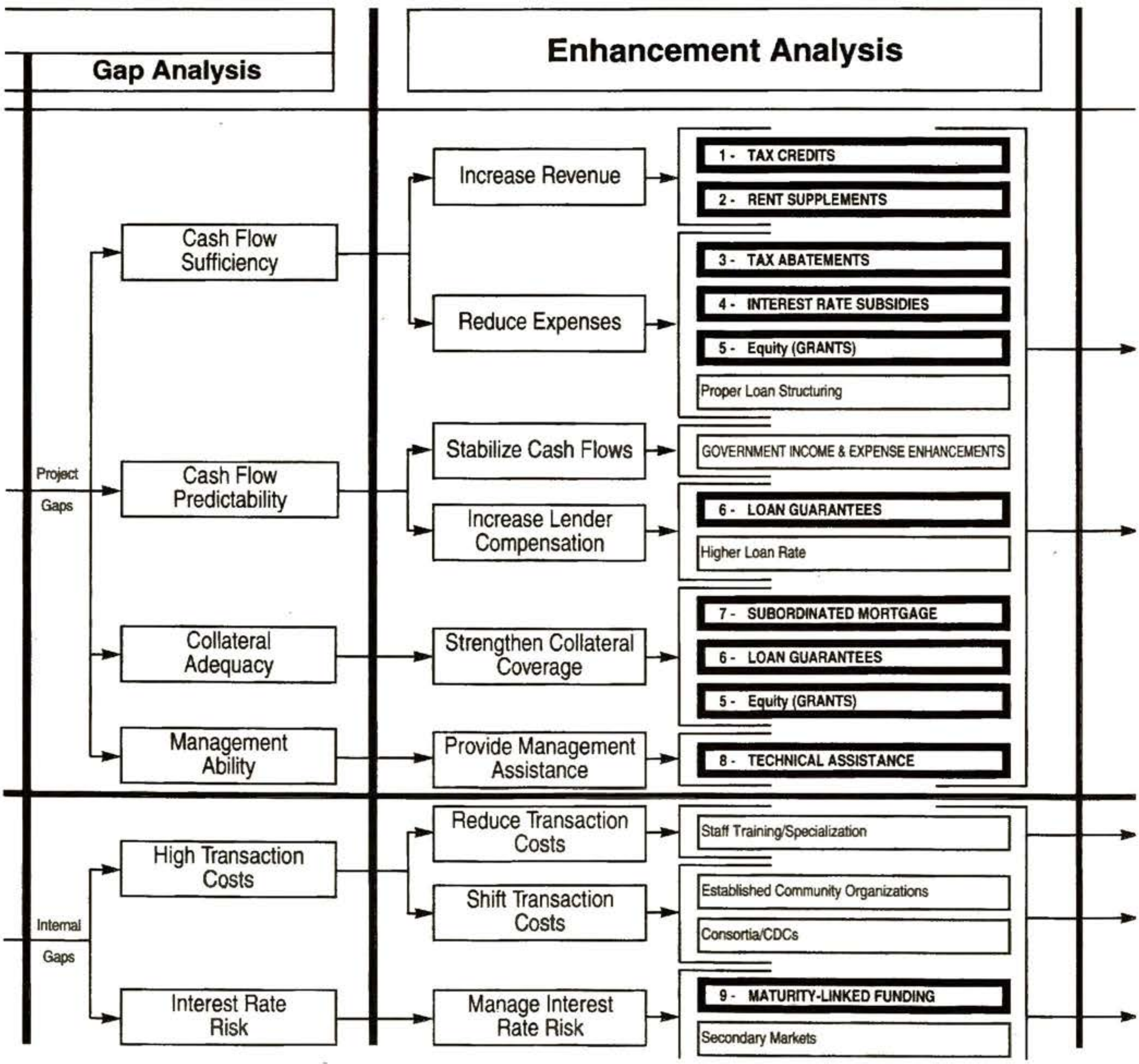

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