

USDA loans fund facilities for rural communities

Lenders and customers benefit from program

Area communities can now receive loans to finance facilities essential to the health and wellbeing of rural residents. Available through the U. S. Dept. of Agriculture, Rural Development, Guaranteed Communities Facilities Loans finance help provide health care clinics and related facilities, recreation facilities, fire stations and vehicles, child care centers, adult care centers, social services centers, community canterers, animal shelters and more.

Communities can use the funds for construction, land acquisition, legal fees, architect fees, capitalized interest, equipment, initial operation and maintenance costs, project contingencies and any other cost determined necessary for the project's completion. Eligible for a Community Facility Loan are rural areas, towns and cities with populations of less than 20,000 based on the 1990 U. S. census information.

Rural Development accepts applications from any lender in need of obtaining a government guarantee. The program offers the following benefits for the lender and the customer:

Benefits to the lender

- Loans may be used toward Community Reinvestment Act requirements.
- Guarantee rate can be up to 90 percent.
- Participation offers public relations opportunity for lender to demonstrate concern for funding local community projects.
- Guaranteed loans may be sold on the secondary market.
- Lender retains interest rate margin for servicing and increases yield on the amount of loan retained.
- Variable rate loans may be used to reduce lender risk from interests fluctuation.
- Lender may charge different rates on guaranteed and non-guaranteed portions of the loan.
- The lender's risk of loss is reduced by the percent of loan guarantee.
- Loan stimulates related banking services, such as checking and savings accounts.
- Guaranteed portion of loan is secured by full faith and credit of U. S. government.
- Lender can use required deposit reserves to fund guaranteed portion of loan.
- Guaranteed portion of loan does not count against legal lending limits.
- Provides portfolio protection.

Benefits for the customer

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- The customer obtains more timely financing of the project, thereby reducing inflationary increases in construction costs.
- The customer establishes loan history with a commercial lender, not the government.
- The lender can offer better terms to customer, especially when the loan is sold on the secondary market.
- The customer may combine guarantee funds with other federal, state and local funds.

For additional information, application forms and instructions, contact the USDA Rural Development Area Two office at 2741 Pennsylvania Ave., Suite 5, Marianna, FL 32448-4014; telephone (850)526-2610, ext. 1118; or e-mail jerry.ausley@fl.usda.gov.



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