



Section 108 Loan Guarantee Program Loan Provision of the Community Development Block Grants

This learning module is intended for potential borrowers interested in learning about Section 108 Loan Guarantee Program financing.

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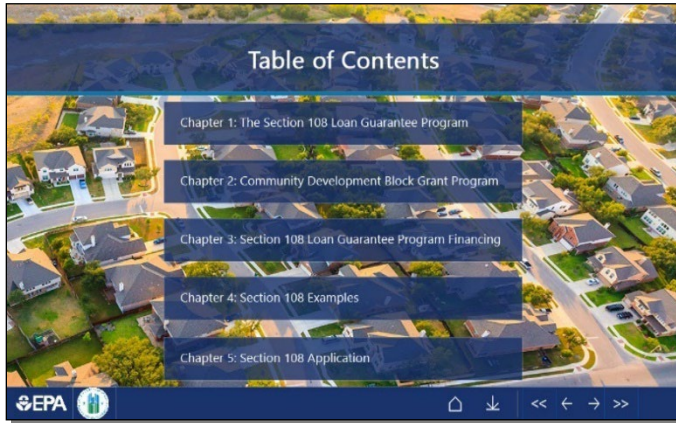


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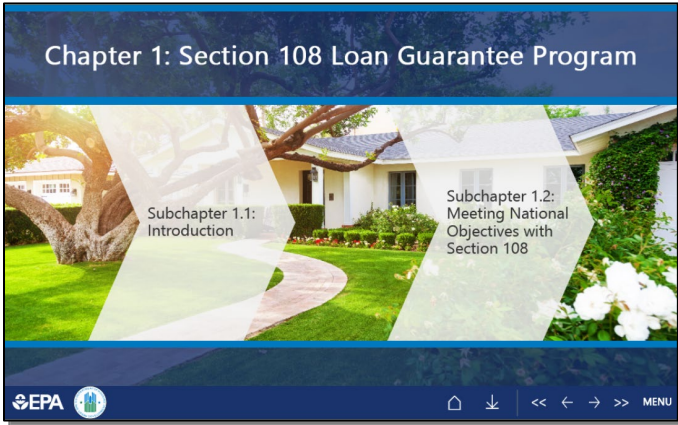
Chapter 1: The Section 108 Loan Guarantee Program

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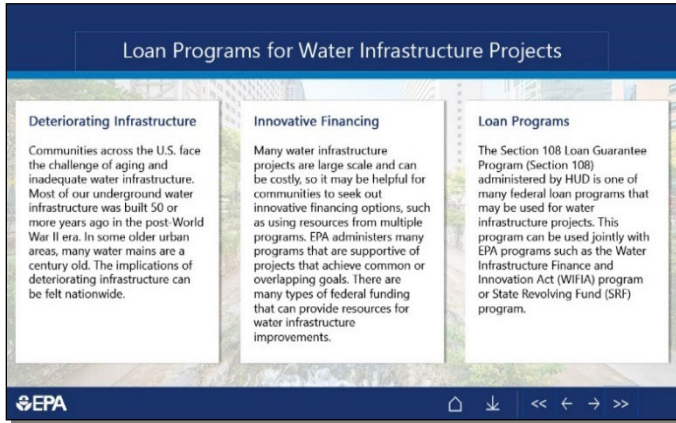
Chapter 1: Section 108 Loan Guarantee Program

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Subchapter 1.1: Introduction



Loan Programs for Water Infrastructure Projects

Deteriorating Infrastructure

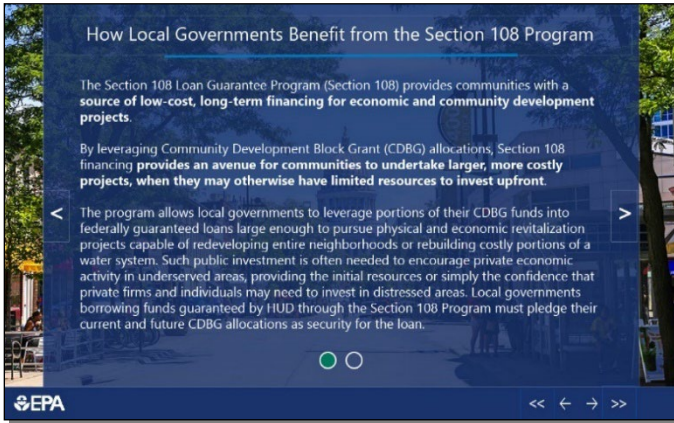
Communities across the U.S. face the challenge of aging and inadequate water infrastructure. Most of our underground water infrastructure was built 50 or more years ago in the post-World War II era. In some older urban areas, many water mains are a century old. The implications of deteriorating infrastructure can be felt nationwide.

Innovative Financing

Many water infrastructure projects are large scale and can be costly, so it may be helpful for communities to seek out innovative financing options, such as using resources from multiple programs. EPA administers many programs that are supportive of projects that achieve common or overlapping goals. There are many types of federal funding that can provide resources for water infrastructure improvements.

Loan Programs

The Section 108 Loan Guarantee Program (Section 108) administered by HUD is one of many federal loan programs that may be used for water infrastructure projects. This program can be used jointly with EPA programs such as the Water Infrastructure Finance and Innovation Act (WIFIA) program or State Revolving Fund (SRF) program.



How Local Governments Benefit from the Section 108 Program

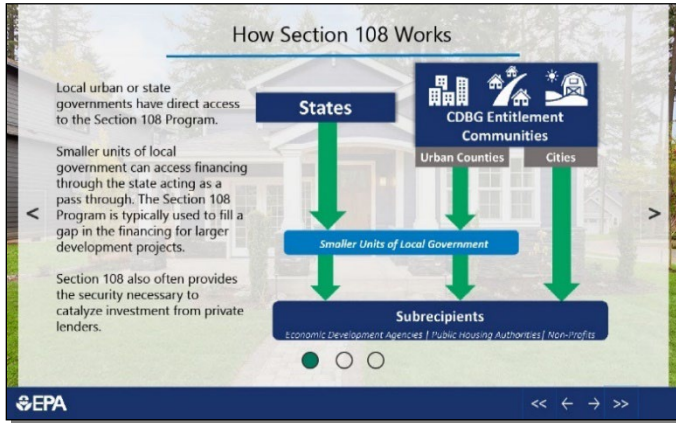
The Section 108 Loan Guarantee Program (Section 108) provides communities with a source of low-cost, long-term financing for economic and community development projects.

By leveraging Community Development Block Grant (CDBG) allocations, Section 108 financing provides an avenue for communities to undertake larger, more costly projects, when they may otherwise have limited resources to invest upfront.

The program allows local governments to leverage portions of their CDBG funds into federally guaranteed loans large enough to pursue physical and economic revitalization projects capable of redeveloping entire neighborhoods or rebuilding costly portions of a water system. Such public investment is often needed to encourage private economic activity in underserved areas, providing the initial resources or simply the confidence that private firms and individuals may need to invest in distressed areas. Local governments borrowing funds guaranteed by HUD through the Section 108 Program must pledge their current and future CDBG allocations as security for the loan.

Key Takeaways and Benefits of the Program for Local Governments:

- Section 108 is a LOAN guarantee, not a grant
- Offers a non-competitive means of accessing lower interest rates
- Allows borrowers to leverage CDBG Award up to five times
- Communities can use Section 108 guaranteed loans to either finance specific projects or to launch a loan fund to finance multiple projects over several years
- Section 108 works to support local governments to address pressing challenges faced by their communities
- Section 108 obligation (unless the borrower offers to pledge or treat the Section 108 as a general obligation using full faith and credit) does not impact the borrowing capacity of the community
- The loan terms can be conformed to meet the needs of the project
- Smaller units of local government and other partners may receive Section 108 funds directly from HUD if they are a designated public agency (DPA) of the CDBG Entitlement grantee



How Section 108 Works

Local urban or state governments have direct access to the Section 108 Program.

Smaller units of local government can access financing through the state acting as a pass through. The Section 108 Program is typically used to fill a gap in the financing for larger development projects.

Section 108 also often provides the security necessary to catalyze investment from private lenders.

How Section 108 Works

Depending on the type of project, the borrower has two basic options for using the loan funds:

- Directly, or through a sub-recipient partner: Subrecipient partners can be non-profits or public agencies who help design and manage the project on behalf of the local government
 - The borrower will be required to secure the loan by pledging current and future CDBG allocations. Additional security may be required and could include property liens, tax increment revenue, or other collateral. HUD is flexible and will work with local governments to identify proper collateral, including accepting a subordinated position behind the primary lender
- Re-loaning the funds to a third-party business or developer, known as third party loans

Click the next slide for a diagram of this process.

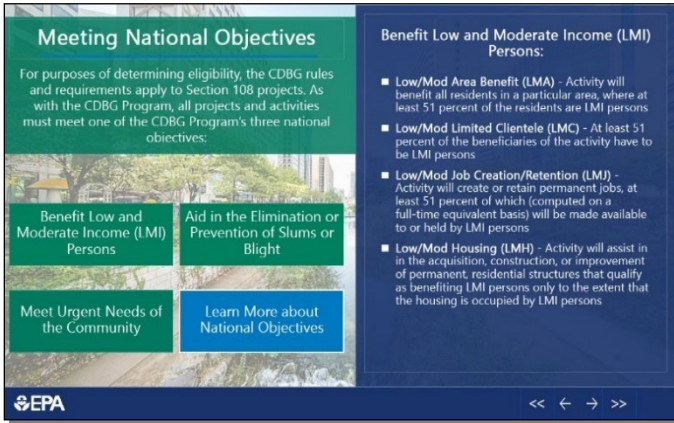
Click each numbered circle to learn more about the structure of Section 108 loans.

1: The Borrower, HUD Field Office, and HQ work together finalizing an appropriate project and application.

2: After approval, HUD HQ issues the Guarantee to the Fiscal Agent who Issues the Loan.

3: Financial transactions take place between the Fiscal Agent and Borrower, Funds do not pass through HUD. HUD acts as an intermediary for processing payments and other Loan servicing tasks.

4: If the Borrower is passing the money through to a third party borrower they are responsible for financial transaction between them and the third party borrower.



Meeting National Objectives

For purposes of determining eligibility, the CDBG rules and requirements apply to Section 108 projects. As with the CDBG Program, all projects and activities must meet one of the CDBG Program's three national objectives:

- Benefit Low and Moderate Income (LMI) Persons
- Aid in the Elimination or Prevention of Slums or Blight
- Meet Urgent Needs of the Community
- Learn More about National Objectives

Click each objective to learn more.

Benefit Low and Moderate Income (LMI) Persons:

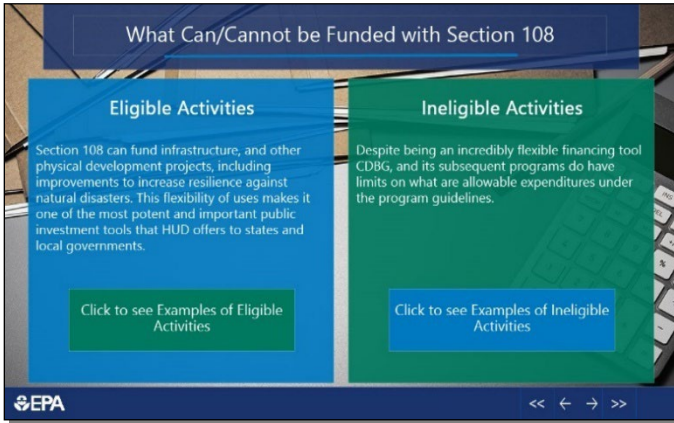
- Low/Mod Area Benefit (LMA) - Activity will benefit all residents in a particular area, where at least 51 percent of the residents are LMI persons
- Low/Mod Limited Clientele (LMC) - At least 51 percent of the beneficiaries of the activity have to be LMI persons
- Low/Mod Job Creation/Retention (LMJ) - Activity will create or retain permanent jobs, at least 51 percent of which (computed on a full-time equivalent basis) will be made available to or held by LMI persons
- Low/Mod Housing (LMH) - Activity will assist in in the acquisition, construction, or improvement of permanent, residential structures that qualify as benefiting LMI persons only to the extent that the housing is occupied by LMI persons

Aid in the Elimination or Prevention of Slums or Blight

- Area Basis (SBA)
- Spot Basis

Meet Urgent Needs of the Community

- To achieve this objective, at least 70 percent of CDBG funds, including Section 108 loans, must be utilized to benefit LMI person



What Can/Cannot be Funded with Section 108

Eligible Activities

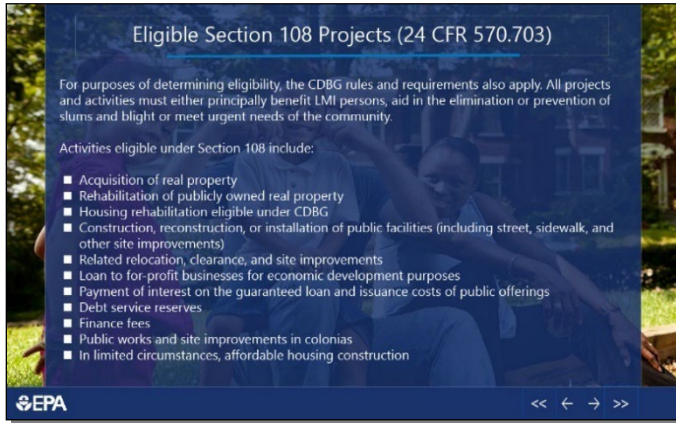
Section 108 can fund infrastructure, and other physical development projects, including improvements to increase resilience against natural disasters. This flexibility of uses makes it one of the most potent and important public investment tools that HUD offers to states and local governments.

Click to see Examples of Eligible Activities.

Ineligible Activities

Despite being an incredibly flexible financing tool CDBG, and its subsequent programs do have limits on what are allowable expenditures under the program guidelines.

Click to see Examples of Ineligible Activities.

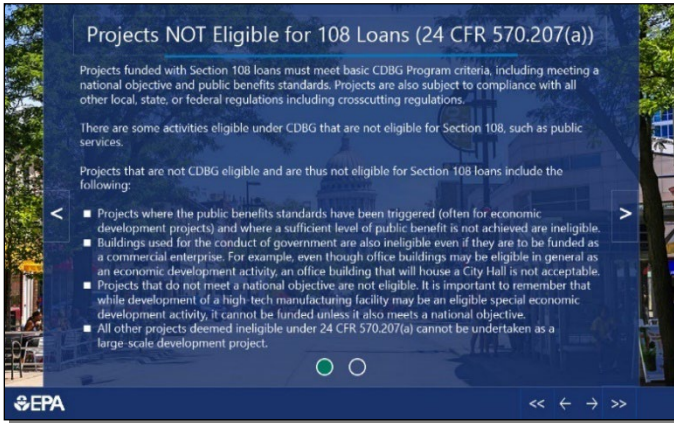


Eligible Section 108 Projects (24 CFR 570.703)

For purposes of determining eligibility, the CDBG rules and requirements also apply. All projects and activities must either principally benefit LMI persons, aid in the elimination or prevention of slums and blight or meet urgent needs of the community.

Activities eligible under Section 108 include:

- Acquisition of real property
- Rehabilitation of publicly owned real property
- Housing rehabilitation eligible under CDBG
- Construction, reconstruction, or installation of public facilities (including street, sidewalk, and other site improvements)
- Related relocation, clearance, and site improvements
- Loan to for-profit businesses for economic development purposes
- Payment of interest on the guaranteed loan and issuance costs of public offerings
- Debt service reserves
- Finance fees
- Public works and site improvements in colonias
- In limited circumstances, affordable housing construction



Projects NOT Eligible for 108 Loans (24 CFR 570.207(a))

Projects funded with Section 108 loans must meet basic CDBG Program criteria, including meeting a national objective and public benefits standards. Projects are also subject to compliance with all other local, state, or federal regulations including crosscutting regulations.

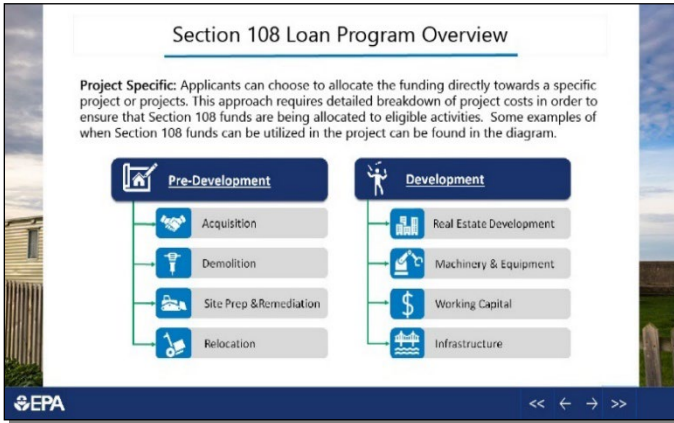
There are some activities eligible under CDBG that are not eligible for Section 108, such as public services.

Projects that are not CDBG eligible and are thus not eligible for Section 108 loans include the following:

- Projects where the public benefits standards have been triggered (often for economic development projects) and where a sufficient level of public benefit is not achieved are ineligible.
- Buildings used for the conduct of government are also ineligible even if they are to be funded as a commercial enterprise. For example, even though office buildings may be eligible in general as an economic development activity, an office building that will house a City Hall is not acceptable.
- Projects that do not meet a national objective are not eligible. It is important to remember that while development of a high-tech manufacturing facility may be an eligible special economic development activity, it cannot be funded unless it also meets a national objective.
- All other projects deemed ineligible under 24 CFR 570.207(a) cannot be undertaken as a large-scale development project.

Micro Enterprises (24 CFR 570.201(o)):

The formation and operation of small businesses, including incubators and micro enterprises are not eligible for funding with Section 108 loans. However, a small business, incubator, or micro enterprise may apply for guaranteed loan funds for eligible projects.



Section 108 Loan Program Overview

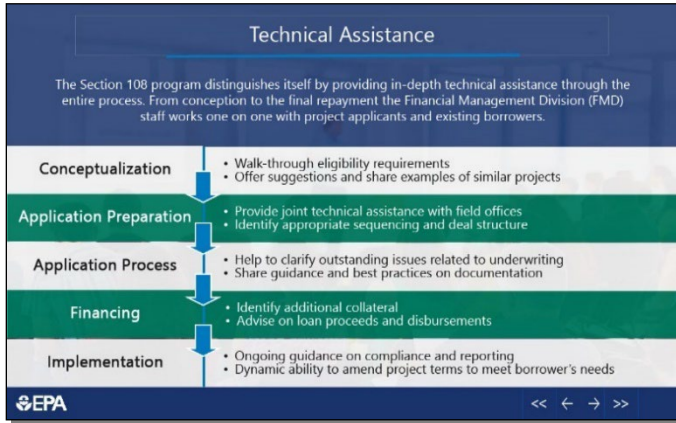
Project Specific: Applicants can choose to allocate the funding directly towards a specific project or projects. This approach requires detailed breakdown of project costs in order to ensure that Section 108 funds are being allocated to eligible activities. Some examples of when Section 108 funds can be utilized in the project can be found in the diagram.



Funding and Repaying Section 108 Projects

Section 108 is a loan program, which requires scheduled repayments of that loan.

[Click to learn more \(Subchapter 3.4\)](#)



Technical Assistance

The Section 108 program distinguishes itself by providing in-depth technical assistance through the entire process. From conception to the final repayment the Financial Management Division (FMD) staff works one on one with project applicants and existing borrowers.

Conceptualization

- Walk-through eligibility requirements
- Offer suggestions and share examples of similar projects

Application Preparation

- Provide joint technical assistance with field offices
- Identify appropriate sequencing and deal structure

Application Process

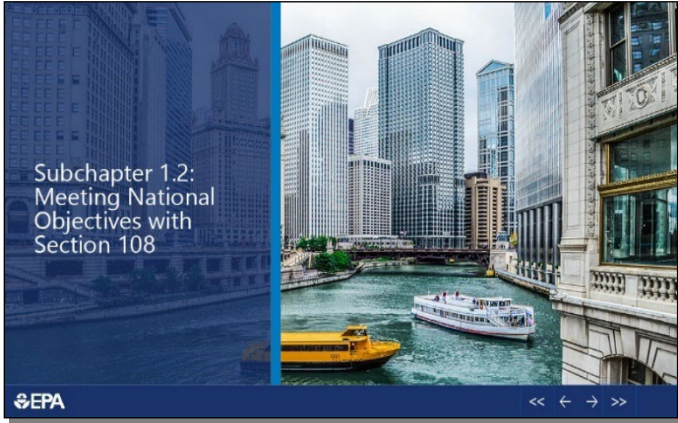
- Help to clarify outstanding issues related to underwriting
- Share guidance and best practices on documentation

Financing

- Identify additional collateral
- Advise on loan proceeds and disbursements

Implementation

- Ongoing guidance on compliance and reporting
- Dynamic ability to amend project terms to meet borrower's needs



Subchapter 1.2: Meeting National Objectives with Section 108

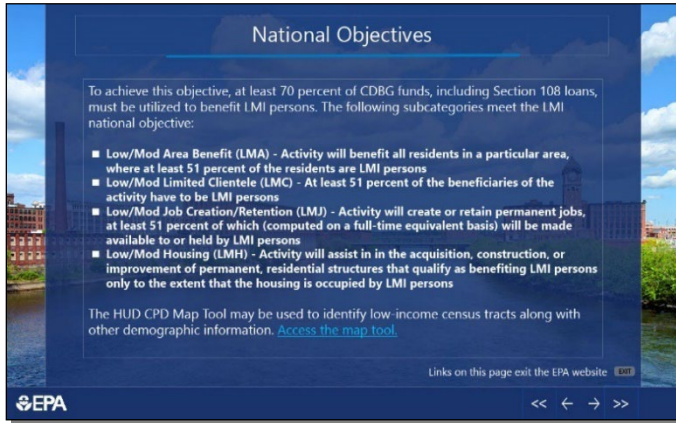


National Objectives

For purposes of determining eligibility, the CDBG rules and requirements apply to Section 108 projects. As with the CDBG Program, all projects and activities must meet one of the CDBG Program's three national objectives:

- Benefit LMI Persons
- Aid in the Elimination or Prevention of Slums or Blight
- Meet Urgent Needs of the Community

The primary objective of the CDBG Program is to develop viable urban and rural communities, by expanding economic opportunities and improving the quality of life, principally for LMI persons.



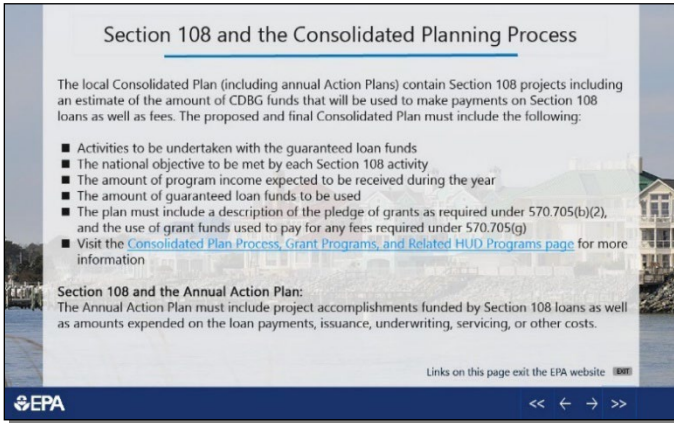
National Objectives

To achieve this objective, at least 70 percent of CDBG funds, including Section 108 loans, must be utilized to benefit LMI persons. The following subcategories meet the LMI national objective:

- Low/Mod Area Benefit (LMA) - Activity will benefit all residents in a particular area, where at least 51 percent of the residents are LMI persons
- Low/Mod Limited Clientele (LMC) - At least 51 percent of the beneficiaries of the activity have to be LMI persons
- Low/Mod Job Creation/Retention (LMJ) - Activity will create or retain permanent jobs, at least 51 percent of which (computed on a full-time equivalent basis) will be made available to or held by LMI persons
- Low/Mod Housing (LMH) - Activity will assist in in the acquisition, construction, or improvement of permanent, residential structures that qualify as benefiting LMI persons only to the extent that the housing is occupied by LMI persons

The HUD CPD Map Tool may be used to identify low-income census tracts along with other demographic information. Access the map tool (<https://www.hudexchange.info/programs/cdbg/cdbg-low-moderate-income-data/>).

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Section 108 and the Consolidated Planning Process

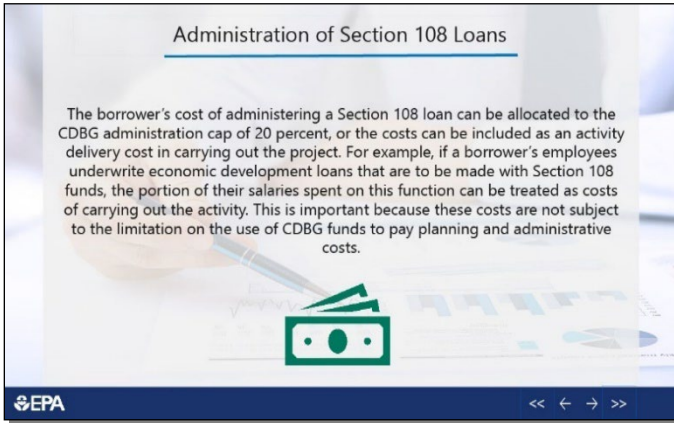
The local Consolidated Plan (including annual Action Plans) contain Section 108 projects including an estimate of the amount of CDBG funds that will be used to make payments on Section 108 loans as well as fees. The proposed and final Consolidated Plan must include the following:

- Activities to be undertaken with the guaranteed loan funds
- The national objective to be met by each Section 108 activity
- The amount of program income expected to be received during the year
- The amount of guaranteed loan funds to be used
- The plan must include a description of the pledge of grants as required under 570.705(b)(2), and the use of grant funds used to pay for any fees required under 570.705(g)
- Visit the Consolidated Plan Process, Grant Programs, and Related HUD Programs page for more information (<https://www.hudexchange.info/programs/consolidated-plan/consolidated-plan-process-grant-programs-and-related-hud-programs/>)

Section 108 and the Annual Action Plan:

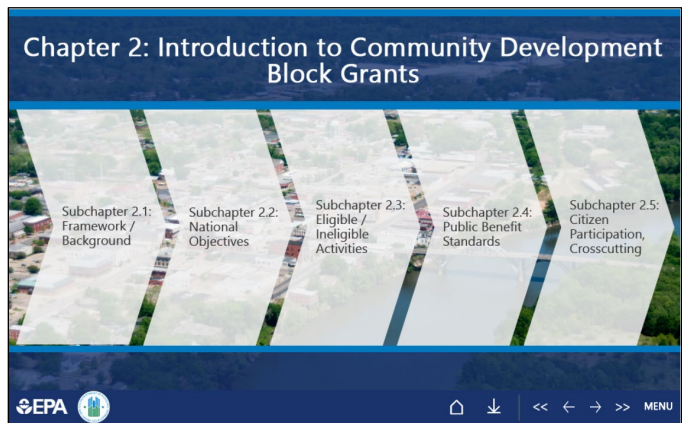
The Annual Action Plan must include project accomplishments funded by Section 108 loans as well as amounts expended on the loan payments, issuance, underwriting, servicing, or other costs.

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Administration of Section 108 Loans

The borrower's cost of administering a Section 108 loan can be allocated to the CDBG administration cap of 20 percent, or the costs can be included as an activity delivery cost in carrying out the project. For example, if a borrower's employees underwrite economic development loans that are to be made with Section 108 funds, the portion of their salaries spent on this function can be treated as costs of carrying out the activity. This is important because these costs are not subject to the limitation on the use of CDBG funds to pay planning and administrative costs.



Chapter 2: Introduction to Community Development Block Grants

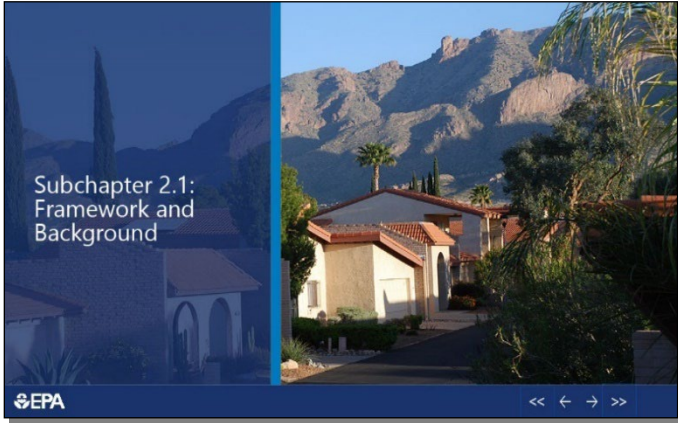
Subchapter 2.1: Framework / Background

Subchapter 2.2: National Objectives

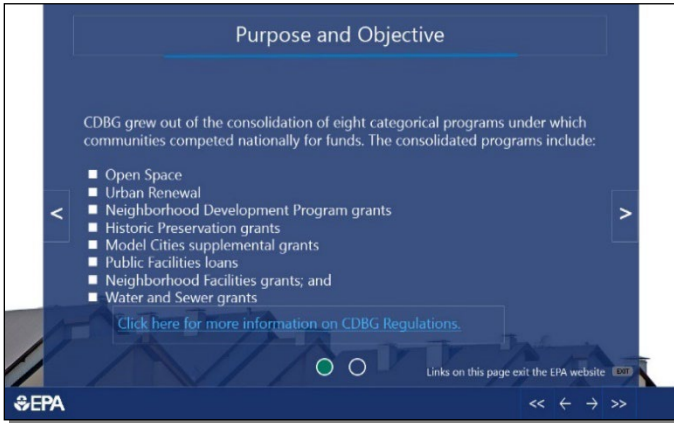
Subchapter 2.3: Eligible / Ineligible Activities

Subchapter 2.4: Public Benefit Standards

Subchapter 2.5: Citizen Participation, Crosscutting



Subchapter 2.1: Framework and Background



Purpose and Objective

CDBG grew out of the consolidation of eight categorical programs under which communities competed nationally for funds. The consolidated programs include:

- Open Space
- Urban Renewal
- Neighborhood Development Program grants
- Historic Preservation grants
- Model Cities supplemental grants
- Public Facilities loans
- Neighborhood Facilities grants; and
- Water and Sewer grants

The primary objective of Title I of the Housing and Community Development Act of 1974, as amended, is the development of viable urban communities. These viable communities are achieved by providing the following, principally for persons of low and moderate income:

- Decent housing
- A suitable living environment; and
- Expanded economic opportunities

To achieve these goals, the CDBG statute and regulations set forth eligible activities and the national objectives that each activity must meet. As recipients of CDBG funds, grantees are charged with ensuring that these requirements are met. Click here for more information on CDBG Regulations (<https://www.hudexchange.info/programs/cdbg/cdbg-laws-and-regulations/>).

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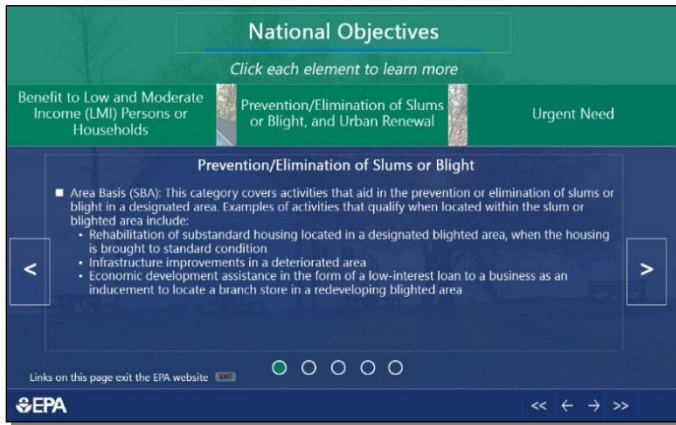
Authorization

The program is authorized under Title 1 of the Housing and Community Development Act of 1974, Public Law 93-383, as amended; 42 U.S.C. 5301 et seq.

- The regulations created by the Office of the Assistant Secretary of Community Planning and Development that pertain to Community Development programs are contained within Part 570-Community Development Block Grants



Subchapter 2.2: National Objectives



National Objectives

Click each element to learn more.

Benefit to Low and Moderate Income (LMI) Persons or Households

The LMI national objective is often referred to as the “primary” national objective because the statute requires that recipients expend 70 percent of their CDBG funds to benefit LMI persons.

Activities, when taken as a whole, will not benefit moderate-income persons to the exclusion of low-income persons. This does not mean that each activity has to include both LMI beneficiaries, but it further ensures that the CDBG program will primarily benefit low-income persons.

Low Mod Area Benefit (LMA): The area benefit category is the most commonly used national objective for activities that benefit a residential neighborhood. An area benefit activity is one that benefits all residents in a particular area, where at least 51 percent of the residents are LMI persons.

Low Mod Limited Clientele (LMC): The limited clientele category is a second way to qualify specific activities under the LMI benefit national objective. Under this category, 51 percent of the beneficiaries of an activity have to be LMI persons.

Low Mod Job Creation or Retention Activities (LMJ): The job creation and retention LMI benefit national objective addresses activities designed to create or retain permanent jobs, at least 51 percent of which (computed on a full-time equivalent basis) will be made available to or held by LMI persons.

Low Mod Housing Activities (LMH): The housing category of LMI benefit national objective qualifies activities that are undertaken for the purpose of providing or improving permanent residential structures which, upon completion, will be occupied by LMI households.

Prevention/Elimination of Slums or Blight, and Urban Renewal

Prevention/Elimination of Slums or Blight

- **Area Basis (SBA):** This category covers activities that aid in the prevention or elimination of slums or blight in a designated area. Examples of activities that qualify when located within the slum or blighted area include:
 - Rehabilitation of substandard housing located in a designated blighted area, when the housing is brought to standard condition
 - Infrastructure improvements in a deteriorated area

- Economic development assistance in the form of a low-interest loan to a business as an inducement to locate a branch store in a redeveloping blighted area

To qualify under this category, the area in which the activity occurs must be designated as “slum” or “blighted.” The following tests apply for qualification:

- The designated area in which the activity occurs must meet the definition of a slum, blighted, deteriorated, or deteriorating area under state or local law
- Additionally, the area must meet either one of the two conditions specified below:
 - Public improvements throughout the area are in a general state of deterioration; or
 - At least 25 percent of the properties throughout the area exhibit one or more of the following (see next slide):
 - Physical deterioration of buildings/improvements
 - Abandonment of properties
 - Chronic high occupancy turnover rates or chronic high vacancy rates in commercial or industrial buildings
 - Significant declines in property values or abnormally low property values relative to other areas in the community; or
 - Known or suspected environmental contamination
- Documentation must be maintained by the grantee on the boundaries of the area and the conditions that qualified the area at the time of its designation. The designation of an area as slum or blighted must be re-determined every 10 years for continued qualifications
- Finally, eligible activities must address one or more of the identified conditions that contributed to the deterioration of the area
- Spot Basis (SBS): These are activities that eliminate specific conditions of blight or physical decay on a spot basis and are not located in a slum or blighted area. Examples include:
 - Acquisition and demolition of a dilapidated property
 - Rehabilitation of a decayed community center that eliminates code violations that are detrimental to the health and safety of potential occupants like faulty wiring, falling plaster, or other similar conditions
 - Preservation of a deteriorated building of historic significance; and
 - Financial assistance to a business to demolish a decayed structure

Activities under this category are limited to acquisition, clearance, relocation, historic preservation, remediation of environmentally contaminated properties, and building rehabilitation activities. Furthermore, rehabilitation is limited to the extent necessary to eliminate a specific condition detrimental to public health and safety.

Urban Renewal (SBR)

- These are activities located within an Urban Renewal project area or Neighborhood Development Program (NDP) action area that are necessary to complete an Urban Renewal Plan.
 - A copy of the Urban Renewal Plan in effect at the time the CDBG activity is carried out, including maps, and supporting documentation, must be maintained for record keeping purposes.
- This national objective category is rarely used as there are only a handful of communities with open Urban Renewal Plans.

Urgent Need

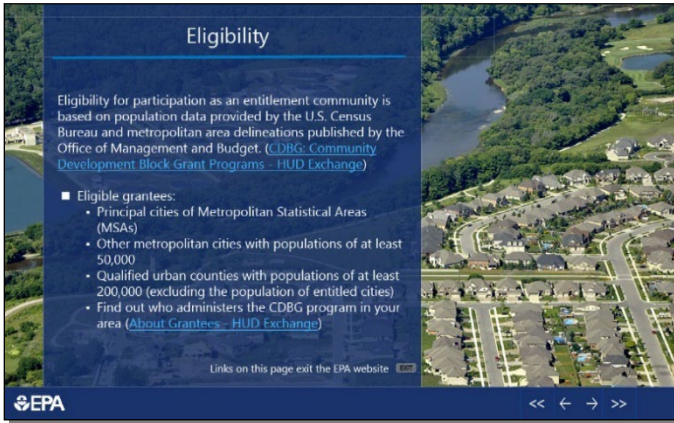
Use of the urgent need national objective category is rare. It is designed only for activities that alleviate emergency conditions.

More information about the CDBG Program can be found on HUD EXCHANGE (CDBG: Community Development Block Grant Programs - HUD Exchange) (<https://www.hudexchange.info/programs/cdbg/>).

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Subchapter 2.3: Eligible / Ineligible Activities



Eligibility

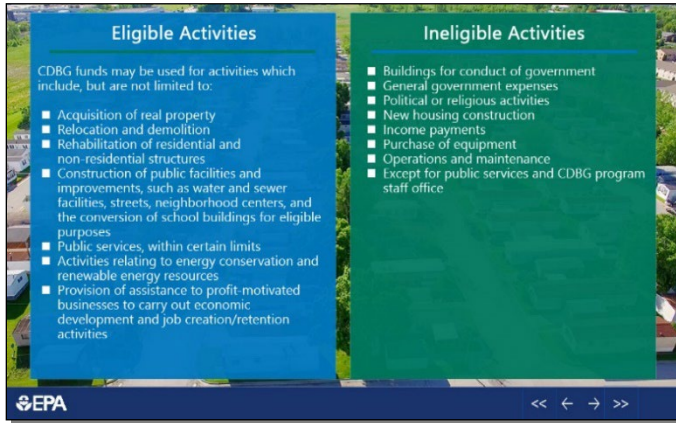
Eligibility for participation as an entitlement community is based on population data provided by the U.S. Census Bureau and metropolitan area delineations published by the Office of Management and Budget. (CDBG: Community Development Block Grant Programs - HUD Exchange)

[\(https://www.hudexchange.info/programs/cdbg/\)](https://www.hudexchange.info/programs/cdbg/)

Eligible grantees:

- Principal cities of Metropolitan Statistical Areas (MSAs)
- Other metropolitan cities with populations of at least 50,000
- Qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities)
- Find out who administers the CDBG program in your area (About Grantees - HUD Exchange)
[\(https://www.hudexchange.info/grantees/\)](https://www.hudexchange.info/grantees/)

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Eligible Activities

CDBG funds may be used for activities which include, but are not limited to:

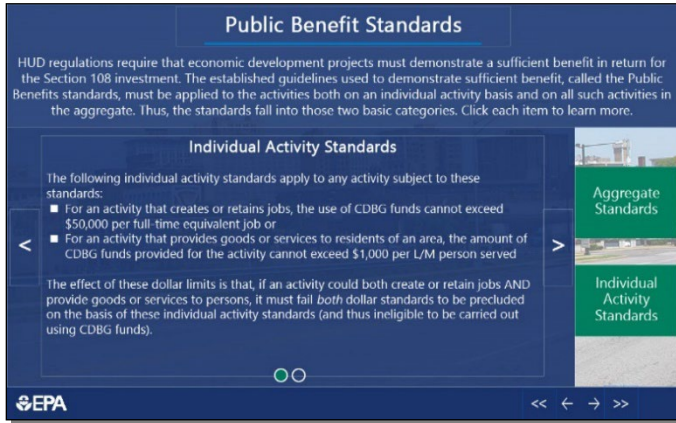
- Acquisition of real property
- Relocation and demolition
- Rehabilitation of residential and non-residential structures
- Construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes
- Public services, within certain limits
- Activities relating to energy conservation and renewable energy resources
- Provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities

Ineligible Activities

- Buildings for conduct of government
- General government expenses
- Political or religious activities
- New housing construction
- Income payments
- Purchase of equipment
- Operations and maintenance
- Except for public services and CDBG program staff office



Subchapter 2.4: Public Benefit Standards



Public Benefits Standards

HUD regulations require that economic development projects must demonstrate a sufficient benefit in return for the Section 108 investment. The established guidelines used to demonstrate sufficient benefit, called the Public Benefits standards, must be applied to the activities both on an individual activity basis and on all such activities in the aggregate. Thus, the standards fall into those two basic categories. Click each item to learn more.

Aggregate Standards

Activities that are subject to the Public Benefit standards and pass the individual activity tests outlined above also must generally, in the aggregate, either:

- Create or retain at least one full-time equivalent, permanent job per \$35,000 of CDBG funds used for all such activities; or
- Provide goods or services to residents of an area, such that the number of LMI persons residing in the area served by the assisted businesses amounts to at least one LMI person per \$350 of CDBG funds used for all such activities.

As with the individual standards, if the activity can both create or retain jobs AND provide goods or services to residents of an area, the grant recipient may elect to apply either of the above aggregate standards to the activity. However, only one aggregate standard shall be used for each such activity. That is, if the grant recipient elects to use the area standard, any jobs created or retained by the activity are not to be counted for purposes of applying that aggregate standard.

Applying the Aggregate Standard:

In applying the aggregate standard, grant recipients are to aggregate the dollars and resultant jobs, or LMI persons served (as applicable) based on the following:

- A state shall apply the aggregate standards to all funds distributed for applicable activities from each annual grant. This includes the amount of the annual grant, any funds reallocated by HUD to the state, any program income distributed by the state and any guaranteed loan funds made under the provisions of subpart M of this part covered in the method of distribution in the final statement for a given annual grant year. (24 CFR 570.482(f)(3))

Individual Activity Standards

The following individual activity standards apply to any activity subject to these standards:

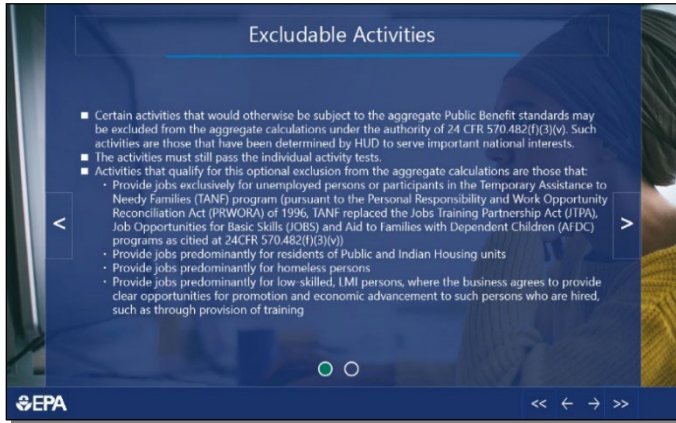
- For an activity that creates or retains jobs, the use of CDBG funds cannot exceed \$50,000 per full-time equivalent job or
- For an activity that provides goods or services to residents of an area, the amount of CDBG funds provided for the activity cannot exceed \$1,000 per L/M person served.

The effect of these dollar limits is that, if an activity could both create or retain jobs AND provide goods or services to persons, it must fail both dollar standards to be precluded on the basis of these individual activity standards (and thus ineligible to be carried out using CDBG funds).

HUD also determined that there are certain kinds of economic development activities that by their nature fail to provide sufficient public benefit. They are:

- An activity in which the grant recipient promotes the community as a whole (as opposed to promotion of specific areas and programs)
- Assistance to a professional sports team
- Assistance to privately-owned recreational facilities that serve a predominantly higher-income clientele, where the recreational benefit to be derived by users or members clearly outweighs the employment or other benefits to LMI persons
- Acquisition of land for which the specific proposed use has not yet been identified; and
- Assistance to a for-profit business while that business or any other business owned by the same person(s), or entity(ies) is the subject of unresolved findings of noncompliance relating to previous CDBG assistance provided to the business.

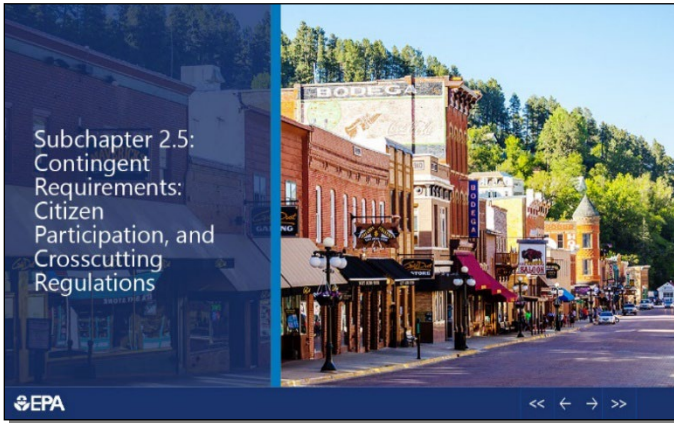
Therefore, any activity subject to the Public Benefit standards that falls into any of the above descriptions may not be assisted with CDBG funds regardless of any other aspect of the activity.



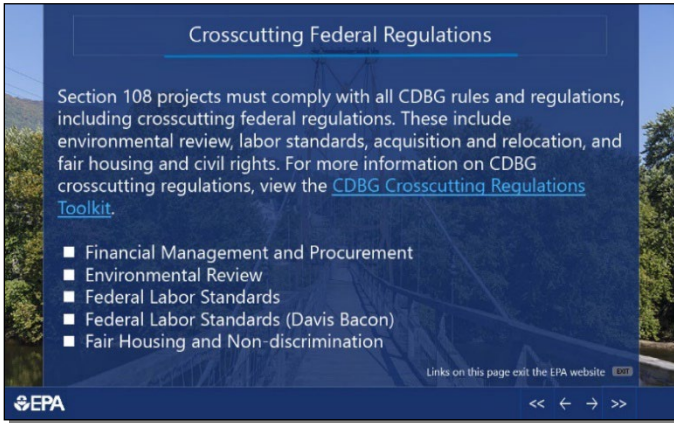
Excludable Activities

- Certain activities that would otherwise be subject to the aggregate Public Benefit standards may be excluded from the aggregate calculations under the authority of 24 CFR 570.482(f)(3)(v). Such activities are those that have been determined by HUD to serve important national interests.
- The activities must still pass the individual activity tests.
- Activities that qualify for this optional exclusion from the aggregate calculations are those that:
 - Provide jobs exclusively for unemployed persons or participants in the Temporary Assistance to Needy Families (TANF) program (pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, TANF replaced the Jobs Training Partnership Act (JTPA), Job Opportunities for Basic Skills (JOBS) and Aid to Families with Dependent Children (AFDC) programs as cited at 24CFR 570.482(f)(3)(v))
 - Provide jobs predominantly for residents of Public and Indian Housing units
 - Provide jobs predominantly for homeless persons
 - Provide jobs predominantly for low-skilled, LMI persons, where the business agrees to provide clear opportunities for promotion and economic advancement to such persons who are hired, such as through provision of training
 - Provide jobs predominantly for persons residing within a census tract (or BNA) that has at least 20 percent of its residents who are in poverty
 - Provide assistance to business(es) that operate(s) within a census tract (or BNA) that has at least 20 percent of its residents who are in poverty
 - Stabilize or revitalize a neighborhood that has at least 70 percent of its residents who are LMI persons
 - Provide assistance to a CDFI that serves an area that is predominantly LMI persons
 - Provide assistance to a community development organization serving a neighborhood that has at least 70 percent of its residents who are LMI persons
 - Provide employment opportunities that are an integral component of a project designed to promote spatial deconcentration of LMI and minority persons
 - With prior HUD approval, provide substantial benefit to LMI persons through other innovative approaches
 - Provide services to the residents of an area pursuant to a Community Revitalization Strategy approved by HUD (see Appendix E, Community Revitalization Strategy Areas) or State Community Development Block Grant Program

- Create or retain jobs through businesses assisted in an area pursuant to a Community Revitalization Strategy approved by HUD (see Appendix E, Community Revitalization Strategy Areas)



Subchapter 2.5: Contingent Requirements: Citizen Participation, and Crosscutting Regulations

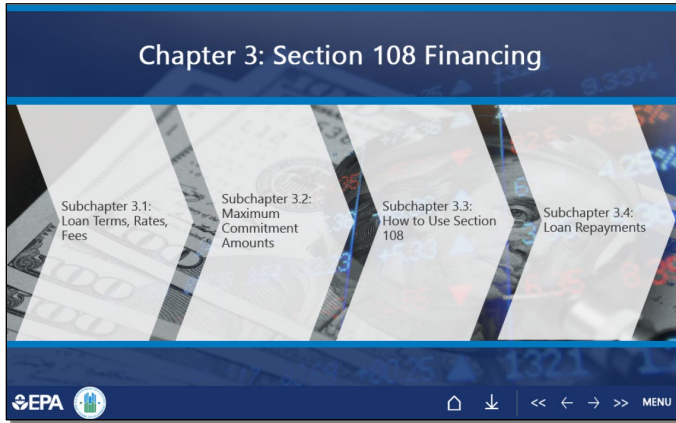


Crosscutting Federal Regulations

Section 108 projects must comply with all CDBG rules and regulations, including crosscutting federal regulations. These include environmental review, labor standards, acquisition and relocation, and fair housing and civil rights. For more information on CDBG crosscutting regulations, view the CDBG Crosscutting Regulations Toolkit (<https://www.hudexchange.info/resource/34/cdbg-crosscutting-issues-toolkit-contents/>).

- Financial Management and Procurement
- Environmental Review
- Federal Labor Standards
- Federal Labor Standards (Davis Bacon)
- Fair Housing and Non-discrimination

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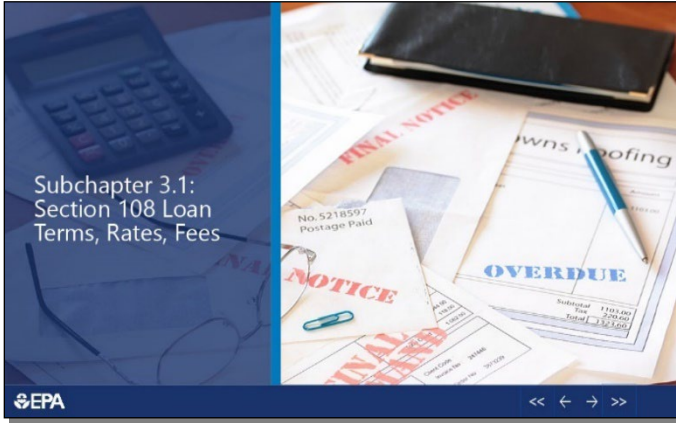
Chapter 3: Section 108 Financing

Subchapter 3.1: Loan Terms, Rates, Fees

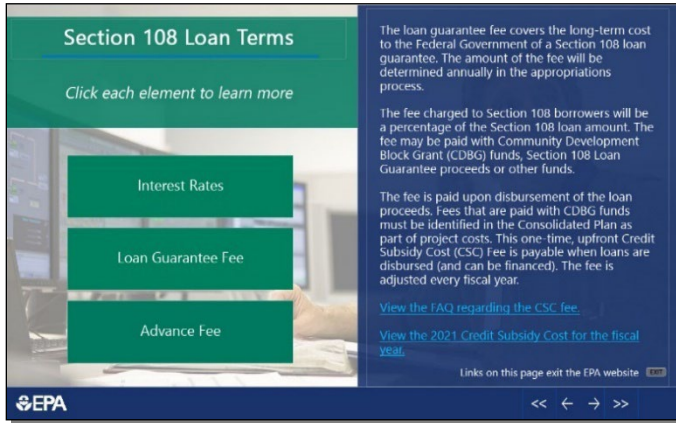
Subchapter 3.2: Maximum Commitment Amounts

Subchapter 3.3: How to Use Section 108

Subchapter 3.4: Loan Repayments



Subchapter 3.1: Section 108 Loan Terms, Rates, Fees



Section 108 Loan Terms

Click each element to learn more.

Interest Rates

The maximum repayment period for a Section 108 loan is 20 years. HUD has the ability to structure the principal amortization to match the needs of the project and borrower including periods of interest-only payments.

Variable Interest Rate

Interest rates charged on variable (interim) borrowing is priced at the three-month Treasury Auction Bill rate plus 35 basis points (0.35). View the current 13-week (three-month) Treasury Auction Bill Rates.

Fixed Interest Rate

Fixed (permanent) financing is linked to yields on Treasury obligations of similar maturity to the principal amount. A small additional basis point spread, depending on maturity, will be added to the Treasury yield to determine the actual rate. Fixed-rate Financing Rates are set through a Public Offering of Section 108 obligations.

The most recent Offering Circular can be found here

[\(https://www.hudexchange.info/resource/5811/section-108-government-guaranteed-participation-certificates-series-2019-a-offering-circular/\)](https://www.hudexchange.info/resource/5811/section-108-government-guaranteed-participation-certificates-series-2019-a-offering-circular/).

Loan Guarantee Fee

The loan guarantee fee covers the long-term cost to the Federal Government of a Section 108 loan guarantee. The amount of the fee will be determined annually in the appropriations process.

The fee charged to Section 108 borrowers will be a percentage of the Section 108 loan amount. The fee may be paid with Community Development Block Grant (CDBG) funds, Section 108 Loan Guarantee proceeds or other funds.

The fee is paid upon disbursement of the loan proceeds. Fees that are paid with CDBG funds must be identified in the Consolidated Plan as part of project costs. This one-time, upfront Credit Subsidy Cost (CSC) Fee is payable when loans are disbursed (and can be financed). The fee is adjusted every fiscal year.

View the FAQ regarding the CSC fee (<https://files.hudexchange.info/resources/documents/Section-108-Financing-Fee-FAQs.pdf>).

View the 2021 Credit Subsidy Cost for the fiscal year (<https://www.govinfo.gov/content/pkg/FR-2021-10-27/pdf/2021-23365.pdf>).

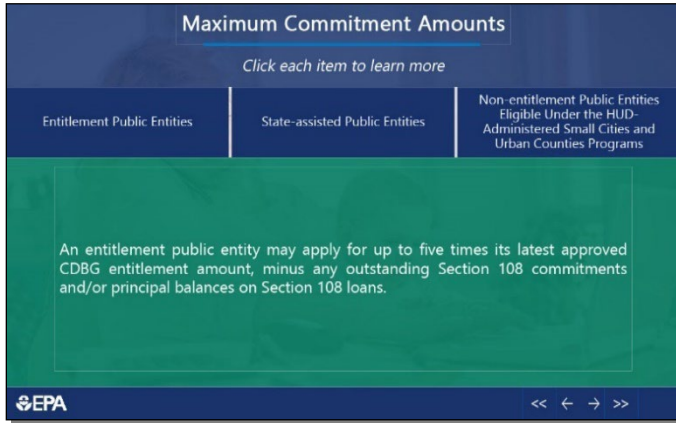
Advance Fee

The fiscal agent charges \$70 per advance. The fee covers all reasonable expenses and disbursements made by the fiscal agent. The fee is automatically deducted from any and every advance.

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Subchapter 3.2: Maximum Commitment Amounts



Maximum Commitment Amounts

Click each item to learn more

Entitlement Public Entities

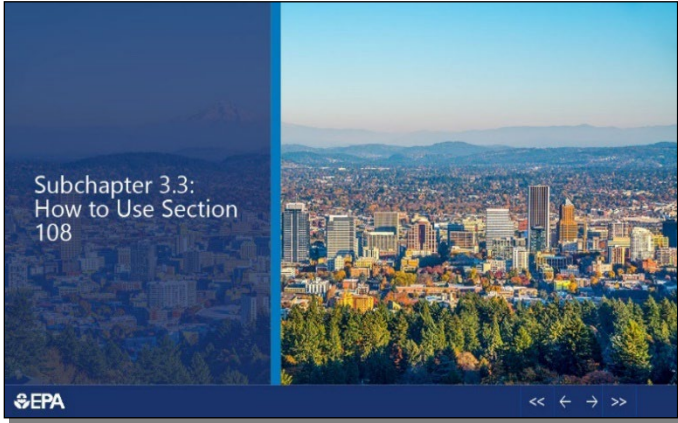
An entitlement public entity may apply for up to five times its latest approved CDBG entitlement amount, minus any outstanding Section 108 commitments and/or principal balances on Section 108 loans.

State-assisted Public Entities

A non-entitlement public entity may apply for up to five times the latest approved CDBG amount received by its state, minus any outstanding Section 108 commitments and/or principal balances on Section 108 loans for which the state has pledged its CDBG funds as security.

Non-entitlement Public Entities Eligible Under the HUD-Administered Small Cities and Urban Counties Programs

Generally, the maximum commitment amount is up to five times the latest approved CDBG amount received by the state, minus any outstanding Section 108 commitments and/or principal balances on Section 108 loans for which the state has pledged its CDBG funds as security.



Subchapter 3.3: How to Use Section 108

Approaches to Using Section 108

Click each approach to learn more

Project Specific

Loan Fund

- Better fit for when a pipeline of projects exists, or community is target resources within a specific geographic area or with a specific development goal in mind
- Enables grantee to weigh a portfolio of loans so there is a balance of large, solid loans, and smaller loans designed for entrepreneurs and/or projects that are higher risk but have a high social impact value
- Streamlines Headquarters' underwriting process for each individual project (Field Office must first make a determination of program compliance)

EPA

Approaches to Using Section 108

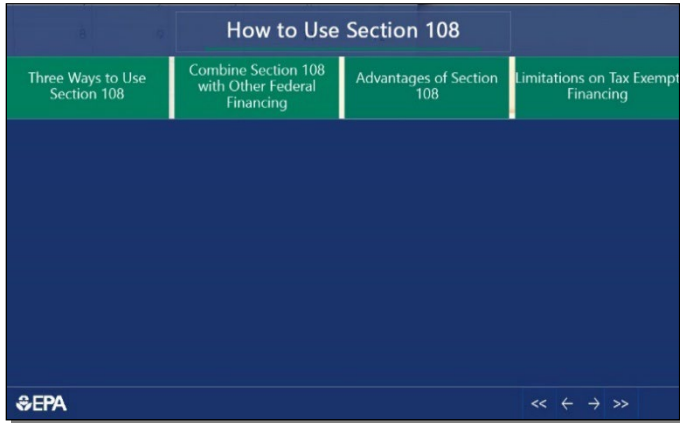
Click each approach to learn more

Project Specific

- Approach used by majority of borrowers
- Application is for a specific project; requires detail and specificity
- After HUD approval, guaranteed loan would be used by the recipient or re-lent to a 3rd party borrower

Loan Fund

- Better fit for when a pipeline of projects exists, or community is target resources within a specific geographic area or with a specific development goal in mind
- Enables grantee to weigh a portfolio of loans so there is a balance of large, solid loans, and smaller loans designed for entrepreneurs and/or projects that are higher risk but have a high social impact value
- Streamlines Headquarters' underwriting process for each individual project (Field Office must first make a determination of program compliance)



How to Use Section 108

Click each objective to learn more.

Three Ways to Use Section 108

- STANDALONE
- COMBINED
- GAP

Combine Section 108 with Other Federal Financing

- Department of Transportation
 - BUILD Grants
 - TIFIA
- CDFI Fund
 - New Market
 - Tax Credits
- EDA
 - EDA Public Works and Economic Adjustment Assistance
- U.S. Treasury
 - Low-Income Housing Tax Credits
 - Opportunity Zones
- U.S. EPA
 - Revolving Loan Funds
 - Brownfields Remediation Financing
 - WIFIA
- U.S. Department of the Interior
 - Historic Tax Credits
- Small Business Administrations
 - 7(a) Loans
 - 504 Loans
- U.S. Department of Homeland Security
 - FEMA's Resources

Advantages of Section 108

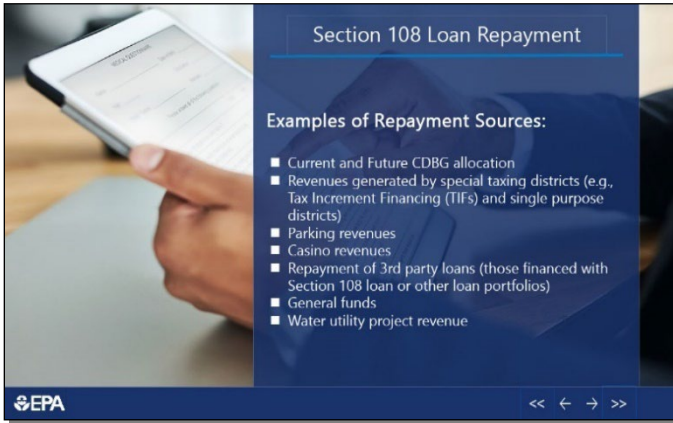
- No matching funds required but can be used as match if other agencies permit it
- Does not count towards community's general obligation limit unless the full faith and credit is pledged as security

Limitations on Tax Exempt Financing

- HUD is subject to government-wide rules (OMB Circular A-129)
- Prohibits direct or indirect subsidy of tax-exempt bonds
- Affects repayment streams and collateral
- Our office can assist with structuring projects to avoid conflicts (e.g., identifying strategies around timing or potential exceptions)



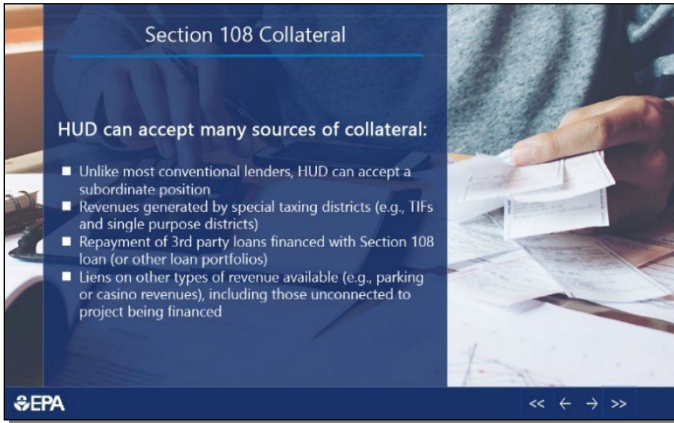
Subchapter 3.4: Loan Repayment



Section 108 Loan Repayment

Examples of Repayment Sources:

- Current and Future CDBG allocation
- Revenues generated by special taxing districts (e.g., Tax Increment Financing (TIFs) and single purpose districts)
- Parking revenues
- Casino revenues
- Repayment of 3rd party loans (those financed with Section 108 loan or other loan portfolios)
- General funds
- Water utility project revenue



Section 108 Collateral

HUD can accept many sources of collateral:

- Unlike most conventional lenders, HUD can accept a subordinate position
- Revenues generated by special taxing districts (e.g., TIFs and single purpose districts)
- Repayment of 3rd party loans financed with Section 108 loan (or other loan portfolios)
- Liens on other types of revenue available (e.g., parking or casino revenues), including those unconnected to project being financed

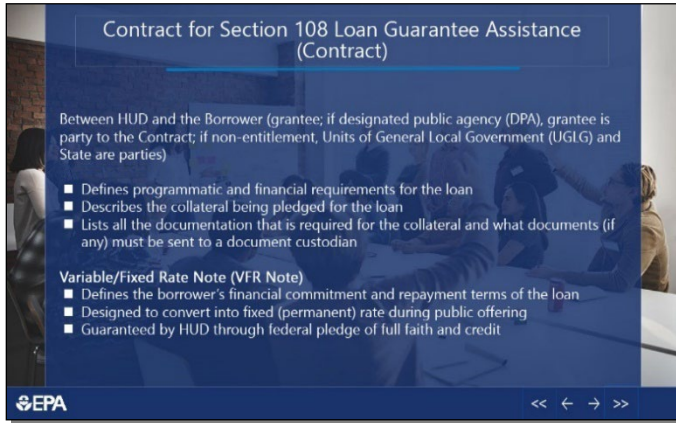


Section 108 Loan Documents

Drafted after commitment is approved.

Standard Section 108 Loan Documents for Initial Advance Include:

- Contract for Section 108 Loan Guarantee Assistance
- Variable/Fixed Rate Note
- Any collateral documentation perfecting HUD's interest
- Legal opinions
- Advance request



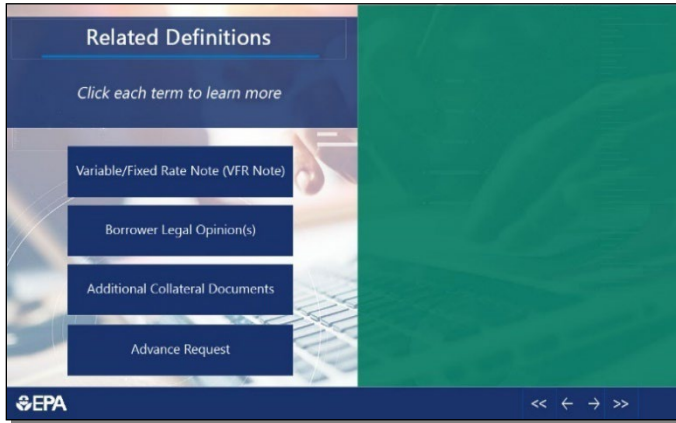
Contract for Section 108 Loan Guarantee Assistance (Contract)

Between HUD and the Borrower (grantee; if designated public agency (DPA), grantee is party to the Contract; if non-entitlement, Units of General Local Government (UGLG) and State are parties)

- Defines programmatic and financial requirements for the loan
- Describes the collateral being pledged for the loan
- Lists all the documentation that is required for the collateral and what documents (if any) must be sent to a document custodian

Variable/Fixed Rate Note (VFR Note)

- Defines the borrower's financial commitment and repayment terms of the loan
- Designed to convert into fixed (permanent) rate during public offering
- Guaranteed by HUD through federal pledge of full faith and credit



Related Definitions

Click each term to learn more

Variable/Fixed Rate Note (VFR Note)

- Defines the borrower's financial commitment and repayment terms of the loan
- Designed to convert into fixed (permanent) rate during public offering
- Guaranteed by HUD through federal pledge of full faith and credit

Borrower Legal Opinion(s)

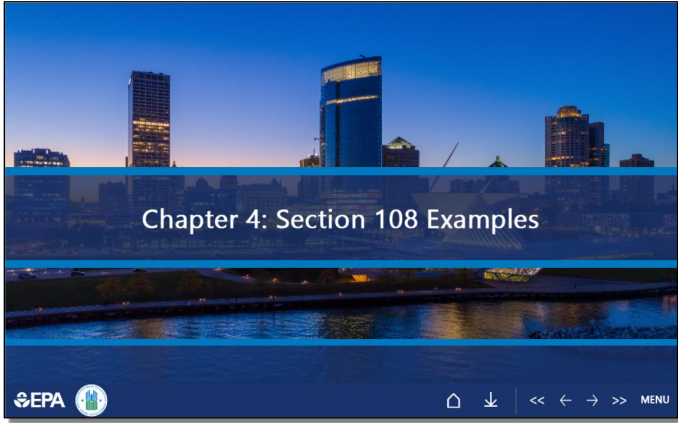
- The borrower's legal counsel reviews the loan documents and makes a legal claim of the borrower's authority to pledge grant funds and other collateral

Additional Collateral Documents

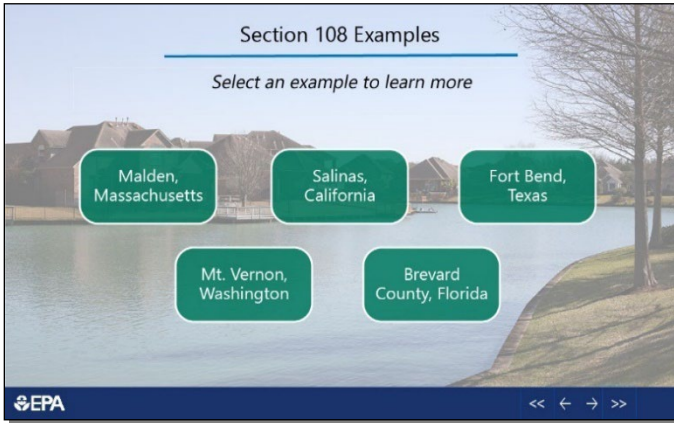
- Differs depending on the type of collateral pledged to the loan
- Typically need to be kept with a document custodian (a third-party financial institution that maintains the documents for the life of the loan)

Advance Request

- Document borrowers use to request funds from the lender



Chapter 4: Section 108 Examples



Section 108 Examples

Select an example to learn more.

Malden, Massachusetts

- Lead Service Line Removal & Above Ground Repairs

Salinas, California

- Industrial Waste-Water Conveyance System Repairs

Fort Bend, Texas

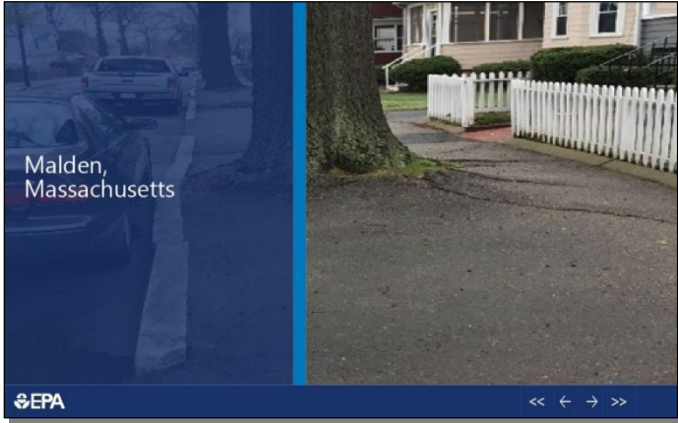
- Drinking Water Treatment Facility

Mt. Vernon, Washington

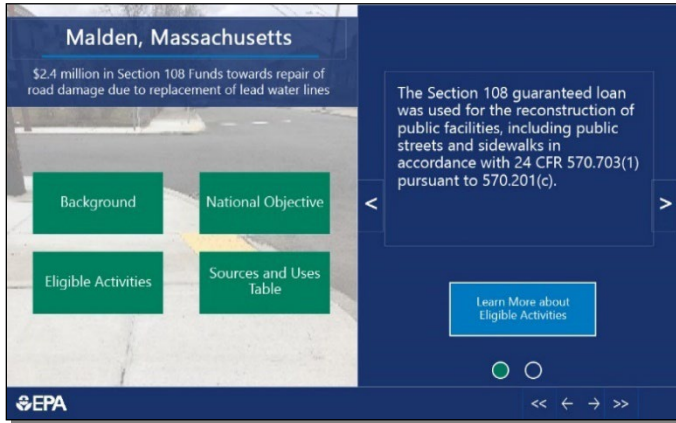
- Flood Protection Wall

Brevard County, Florida

- Water Line Installation



Malden, Massachusetts



Malden, Massachusetts

\$2.4 million in Section 108 Funds towards repair of road damage due to replacement of lead water lines

Background

The City of Malden used \$2.4 million in Section 108 guaranteed loan financing to support a citywide program to design and reconstruct deteriorated roadways through its subrecipient, the Malden Redevelopment Authority. This reconstruction effort underpinned an aggressive program to replace the city's aging water mains. Over 39 percent of these water mains were more than 100-years-old. Prior to the project, the Massachusetts Water Resources Authority (MWRA) identified the city as having the highest percent of lead service lines within its service area, estimating that 26 percent of the city's 11,682 service lines were lead. Water testing revealed that the city had lead levels in drinking water that exceeded U.S. Environmental Protection Agency standards. Using a loan from the Massachusetts State Revolving Fund (SRF), the Borrower replaced approximately 17.5 miles of water mains and more than 2,300 lead water service lines in the city since 2011.

The replacement of these water mains left miles of damaged roadways across the city. To improve these damaged roadways, the Borrower used Section 108 guaranteed financing to fund roadway and related infrastructure improvements in LMI areas. Specifically, the Section 108 guaranteed loan enabled the design and reconstruction of seven neighborhood streets.

National Objective

The Borrower's activities met the CDBG national objective of benefit to LMI persons by area benefit (LMA), where the benefits of an activity are available to all the residents in an area that is primarily residential and where at least 51 percent of the population is LMI in accordance with 24 CFR 570.208(a)(1).

[Learn More about National Objectives](#)

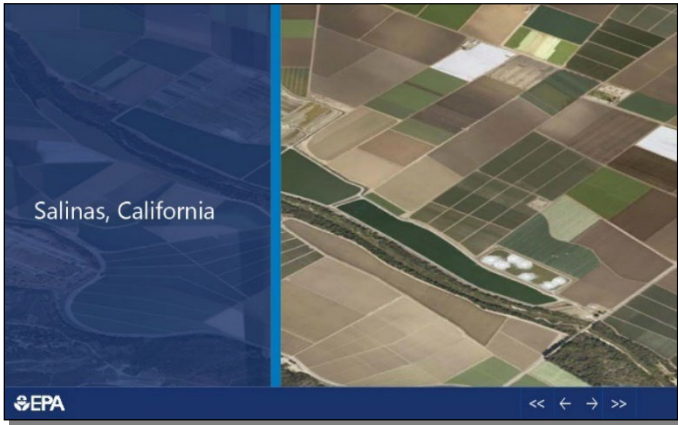
Eligible Activities

The Section 108 guaranteed loan was used for the reconstruction of public facilities, including public streets and sidewalks in accordance with 24 CFR 570.703(1) pursuant to 570.201(c).

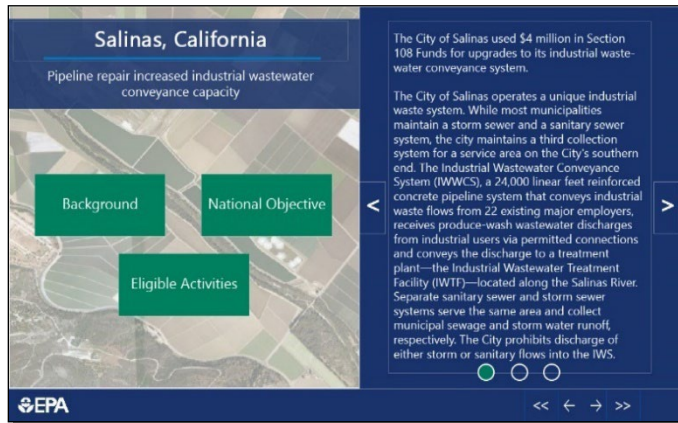
[Learn More about Eligible Activities](#)

Sources and Uses Table

Sources and Uses	
Sources:	
Section 108 Guaranteed Loan	\$2,400,000
Total Sources:	\$2,400,000
Uses:	
Section 108 Subsidy Fee (2.59%)	\$62,160
Street Reconstruction	\$2,337,840
Total Uses:	\$2,400,000



Salinas, California



Salinas, California

Pipeline repair increased industrial wastewater conveyance capacity

Background

The City of Salinas used \$4 million in Section 108 Funds for upgrades to its industrial wastewater conveyance system.

The City of Salinas operates a unique industrial waste system. While most municipalities maintain a storm sewer and a sanitary sewer system, the city maintains a third collection system for a service area on the City's southern end. The Industrial Wastewater Conveyance System (IWWCS), a 24,000 linear feet reinforced concrete pipeline system that conveys industrial waste flows from 22 existing major employers, receives produce-wash wastewater discharges from industrial users via permitted connections and conveys the discharge to a treatment plant—the Industrial Wastewater Treatment Facility (IWWTF)—located along the Salinas River. Separate sanitary sewer and storm sewer systems serve the same area and collect municipal sewage and storm water runoff, respectively. The City prohibits discharge of either storm or sanitary flows into the IWS.

The IWS collects and conveys wastewater through 14-inch, and 36-inch-diameter gravity sewers to the old municipal wastewater treatment plant (TP1) site. From there, the wastewater flows by gravity to the IWWTF via a 33-inch-diameter pipeline. Periodically over the last 15 years, the City has carried out conveyance pipeline interior inspection to determine condition and to plan for possible rehabilitation or replacement. About the year 2000, the City carried out an internal television camera inspection that revealed sulfuric acid attack to two pipes' interior crowns. Raw sewage decomposition produces sulfuric acid naturally. Acid-caused corrosion had destroyed the internal concrete, which caused the pipe interior to deteriorate and exposed the reinforcing steel within the pipe wall.

The upgrades to the pipeline increased industrial wastewater conveyance capacity from 2.80 million gallons per day to 5.37 million gallons per day allowing these employers to continue operations and retain several hundred local jobs. It also resulted in major capacity expansion that is expected to create significant new employment opportunities.

National Objective

The Borrower's activities will meet the CDBG national objective of benefit to low- and moderate-income persons by area benefit (LMA), where the benefits of an activity are available to all the residents in an

area that is primarily residential and where at least 51 percent of the population is LMI in accordance with 24 CFR 570.208(a)(1). The corresponding IDIS matrix code is LMA.

[Learn More about National Objectives](#)

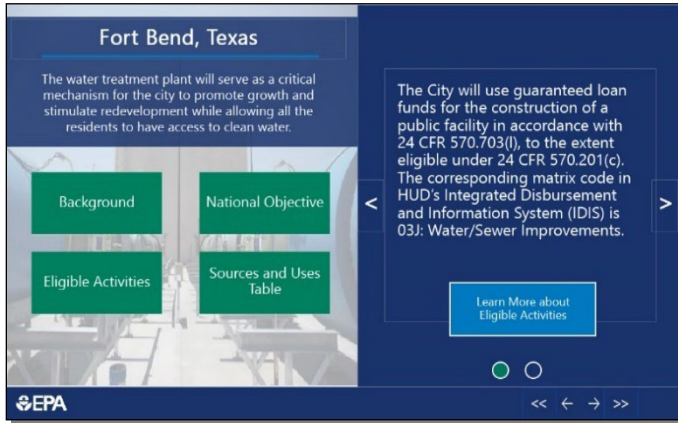
Eligible Activities

24 CFR § 570.703 (l) Acquisition, construction, reconstruction, rehabilitation or historic preservation, or installation of public facilities (except for buildings for the general conduct of government) to the extent eligible under § 570.201(c), including public streets, sidewalks, other site improvements and public utilities, and remediation of known or suspected environmental contamination in conjunction with these activities.

[Learn More about Eligible Activities](#)



Fort Bend, Texas



Fort Bend, Texas

The water treatment plant will serve as a critical mechanism for the city to promote growth and stimulate redevelopment while allowing all the residents to have access to clean water.

Background

Fort Bend County (the County) is proposing to provide Section 108 funds to the City of Arcola (the City), the subrecipient, to construct a water treatment plant in order to resolve the City's lack of access to freshwater. The municipally owned water treatment plant will serve as a critical mechanism for the City to promote growth and stimulate redevelopment while allowing all the residents to have access to clean water.

The City, a small community of approximately 2,600 people at the crossroads of State Highway 6 and Farm-to-Market (FM) 21 in Fort Bend County, has insufficient access to freshwater, with only 500 water connections to the Fresh Water Supply District Number 1 (FWSD #1). Moreover, a lot of the well water in the area is no longer considered potable due to contamination. The City's new water system will include the 500 water connections from FWSD #1, as well as the 250 households that currently utilize well water.

The City has implemented a Tax Increment Reinvestment Zone (TIRZ) on 190 acres of undeveloped land in Arcola to enable the planned development of 480 new homes, commercial development, a middle school, and the public park and green space components. However, this endeavor depends on the City increasing its freshwater capacity through the project. The TIRZ currently does not have sufficient infrastructure and access to freshwater to support the planned development.

The increment generated by increases in the tax base as a result of the TIRZ's activities will be placed in a Tax Increment Fund and made available for economic development and community revitalization projects located within the TIRZ boundary. The City believes this additional development will significantly expand its tax base.

National Objective

The eligible activity will meet the CDBG national objective of benefit (LMI persons through an area benefit pursuant to 24 CFR 570.208(a)(1). The project's service area will be the entire city of Arcola, which is primarily residential and is 59.85 percent LMI.

[Learn More about National Objectives](#)

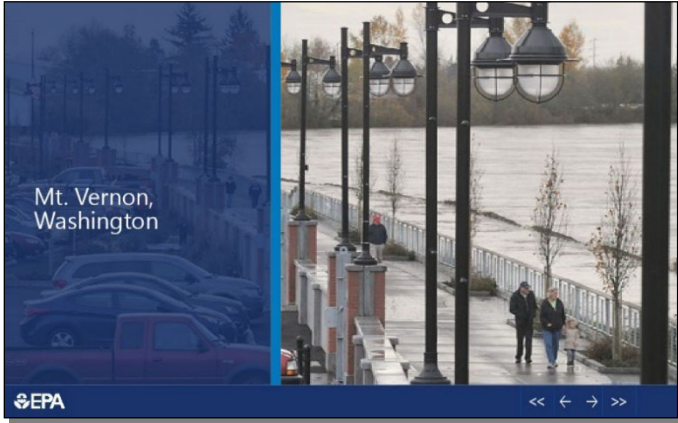
Eligible Activities

The City will use guaranteed loan funds for the construction of a public facility in accordance with 24 CFR 570.703(l), to the extent eligible under 24 CFR 570.201(c). The corresponding matrix code in HUD’s Integrated Disbursement and Information System (IDIS) is 03J: Water/Sewer Improvements.

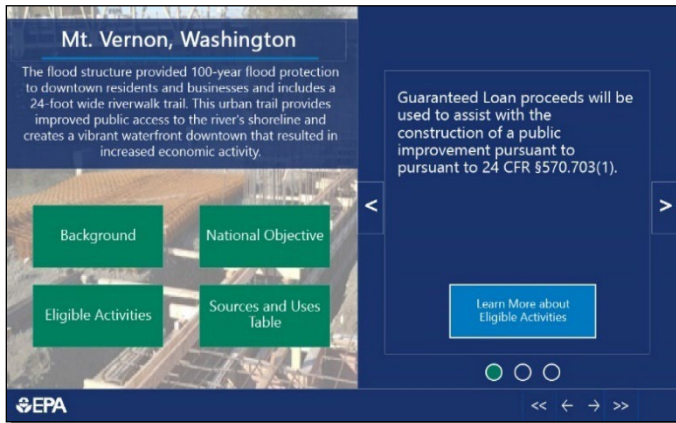
[Learn More about Eligible Activities](#)

[Sources and Uses Table](#)

Sources and Uses	
Sources:	
Section 108	\$3,384,000
CDBG	\$550,000
Total Sources:	\$3,934,000
Uses:	
Mobilization	\$25,000
Preliminary Site Work (CDBG)	\$550,000
1200 GPM Water well, Complete in Place (2000 con.)	\$2,000,000
280,000 Gallon Ground Storage Tank, Including Foundation, Complete in Place (1400 con.)	\$280,000
15,000 Gallon Hydro-pneumonic Tank, Complete in Place	\$105,000
Booster Pump Station, Complete in Place	\$111,000
Emergency Power Generator, Including Sound Attenuating Enclosure, Complete in Place	\$180,000
Site Work/Electrical	\$105,000
Miscellaneous Electrical	\$95,000
Control Building (Electrical and Chlorine Rooms)	\$65,000
Hypochlorite Feed System	\$50,000
Construction Contingencies	\$300,320
Section 108 Fee	\$67,680
Total Uses:	\$3,934,000



Mt. Vernon, Washington



Mt. Vernon, Washington

The flood structure provided 100-year flood protection to downtown residents and businesses and includes a 24-foot wide riverwalk trail. This urban trail provides improved public access to the river's shoreline and creates a vibrant waterfront downtown that resulted in increased economic activity.

Background

The City of Mount Vernon has completed a flood protection project designed to provide the historic downtown and the City's Wastewater Treatment Plant with 100-year flood protection. The flood hazard control system deploys a flood wall to protect a city neighborhood, delineated by Census Tract 9525 that has a high concentration of LMI residents. The process of developing this system included acquiring the land where the flood wall was to be built, demolishing the buildings on that land, and constructing the floodwall improvements. The entire project begins at Lion's Park, north of the downtown core, and continues south through downtown, terminating at the City's Wastewater Treatment Plant, which will be protected with a ring dike. The total length of the flood protection measure is 1.76 miles. The City's project received a Conditional Letter of Map Revision (CLOMR) from the Federal Emergency Management Agency (FEMA) in August 2010 indicating that once built to the approved design, FEMA will issue a Letter of Map Revision for the downtown area removing it from the 100-year flood plain as mapped by FEMA.

Downtown protection and revitalization, via the flood control project, has been a high priority within the City's community development objectives, as outlined within the City's CDBG Five Year Consolidated Housing and Community Development Plans and annual CDBG Action plans, since the City became a CDBG entitlement City in 2004.

The City has spent over \$8.3 million in project-related downtown master planning, specific flood control project engineering, Phase I of the flood structure and riverwalk trail, and Phase II property acquisition. Phase I of the overall project was constructed and completed in 2010, at a cost of \$2.1 million. Phase I included not only the flood structure from Lion's Park south to the Division Street Bridge (SR 536) but has a recreational overlay, the Skagit Riverwalk, a 16-foot-wide pathway that connects the public with the river.

Phase II - Section 108 Project Description

The City requested a \$1.0 million Section 108 loan for Phase II construction of the flood structure. Phase II will begin at the Division Street bridge and continue south through downtown Mount Vernon, ending

at the Moose Lodge. The flood structure provides 100-year flood protection to downtown residents and businesses and includes a 24-foot wide riverwalk trail. This urban trail provides improved public access to the river's shoreline and creates a vibrant waterfront downtown that resulted in increased economic activity within and around Mount Vernon. The flood structure in this phase of construction includes significant and, in some places, continuous openings in the floodwall allowing for unencumbered public access to the riverfront. During flood events these openings are secured with a stop-log system that interlinks into the flood structure.

National Objective

The CDBG national objective met by the eligible activity is benefit to low- and moderate-income persons on an area basis under the provision of §570.208(a)(1)(i). The service area for this activity is primarily residential and has a low- and moderate-income population of 52.7 percent.

[Learn More about National Objectives](#)

Eligible Activities

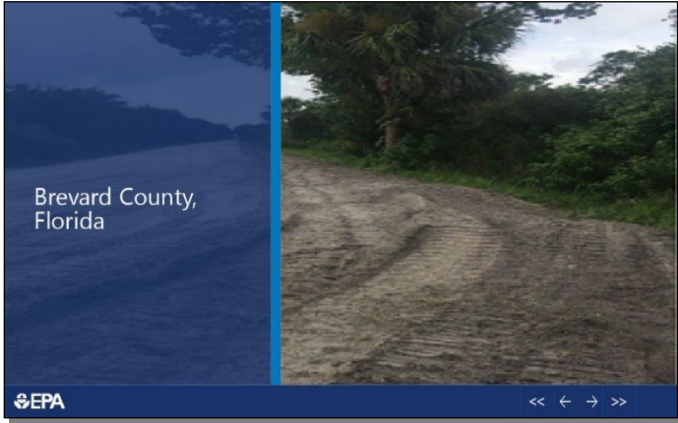
Guaranteed Loan proceeds will be used to assist with the construction of a public improvement pursuant to pursuant to 24 CFR §570.703(1).

[Learn More about Eligible Activities](#)

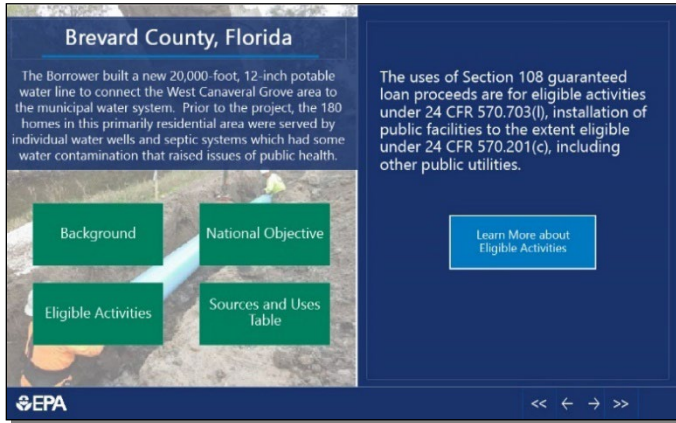
Sources and Uses Table

Sources and Uses	
Sources:	
Section 108 Funds	\$1,000,000
CDBG Entitlement Funds	\$1,702,086
Recreation and Conservation Office	
WA Wildlife & Recreation Program	\$781,200
Recreation & Conservation Office Aquatic Enhancement Grant	\$500,000
Governor's Capital Budget	\$1,356,400
WA State Capital Budget	\$1,500,000
Skagit County Grant	\$500,000
City Funds Wastewater Utility	\$2,200,000
City Funds	\$1,227,012
Dike District	\$1,800,000
Other Funds	\$333,302
Total Sources:	\$12,900,000

Uses:	
Land Acquisition	\$6,518,800
Demolition	\$1,190,000
Construction of Flood Wall	\$1,943,000
Construction – pedestrian trail, plaza, and parking spaces	\$3,248,200
Total Uses:	\$12,900,000



Brevard County, Florida



Brevard County, Florida

The Borrower built a new 20,000-foot, 12-inch potable water line to connect the West Canaveral Grove area to the municipal water system. Prior to the project, the 180 homes in this primarily residential area were served by individual water wells and septic systems which had some water contamination that raised issues of public health.

Background

The West Canaveral Grove area was built in the 1960s. In 2004, a series of regional planning efforts brought residents of the area together to create a neighborhood action and visioning plan for the area. In 2005, the residents included as part of that plan the installation of a public water line along Satellite Boulevard and connected roadways, and fire hydrants along Satellite Boulevard. A 2010 feasibility study for the proposed project found that six of the homes in the service area had levels of lead or arsenic that exceeded safe water standards.

The Borrower built a new 20,000-foot, 12-inch potable water line to connect the West Canaveral Grove area to the municipal water system and provide fire protection services. The line connects both ends to the water system of the City of Cocoa, which is within the boundaries of the Borrower, and which will be responsible for maintenance of the system after completion. Fire hydrants were also installed on Satellite Boulevard and Cherven Avenue and will enable the fire department to service all 180 homes in the area. The Borrower also installed stub-outs, re-routing features that would allow future direct access to the waterline for residents.

National Objective

The CDBG national objective met by the eligible activities is benefit to LMI persons on an area basis, in accordance with 24 CFR 570.208(a)(1)(i), where the benefits of an activity are available to all the residents in a particular area, at least 51 percent of whom are LMI. Pursuant to 24 CFR 570.208(a)(1)(vi), the Borrower conducted a survey to determine the percentage of LMI persons in the area and determined that 77 percent of the respondents qualified as LMI persons.

Learn More about National Objectives

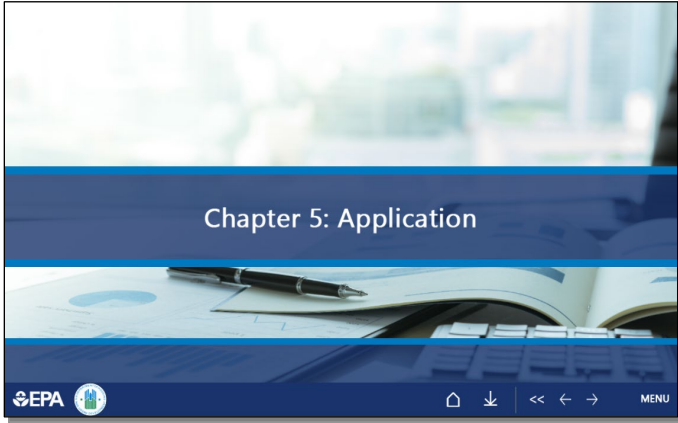
Eligible Activities

The uses of Section 108 guaranteed loan proceeds are for eligible activities under 24 CFR 570.703(l), installation of public facilities to the extent eligible under 24 CFR 570.201(c), including other public utilities.

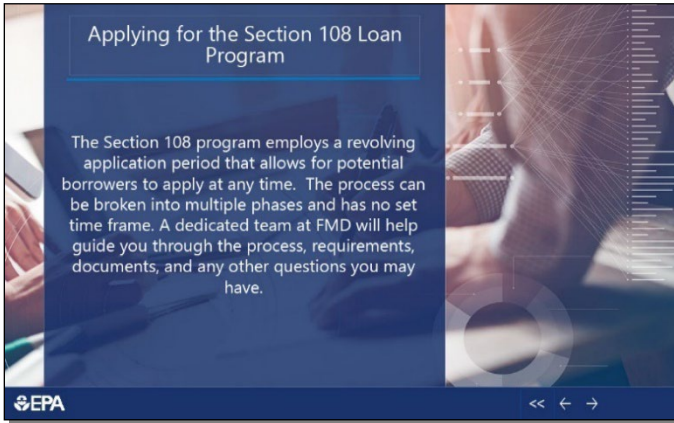
[Learn More about Eligible Activities](#)

Sources and Uses Table

Sources and Uses	
Sources:	
Section 108 Guaranteed Loan	\$1,648,000
Total Sources:	\$1,648,000
Uses:	
Mobilization	\$25,000
Maintenance of Traffic/Erosion Control	\$35,000
12-inch PVC pipes	\$1,100,000
Connections/Testing	\$45,000
Fire Hydrants	\$143,750
Contingency	\$45,500
Engineering Fee	\$98,978
Permitting	\$5,000
Project Delivery	\$149,772
Total Uses:	\$1,648,000

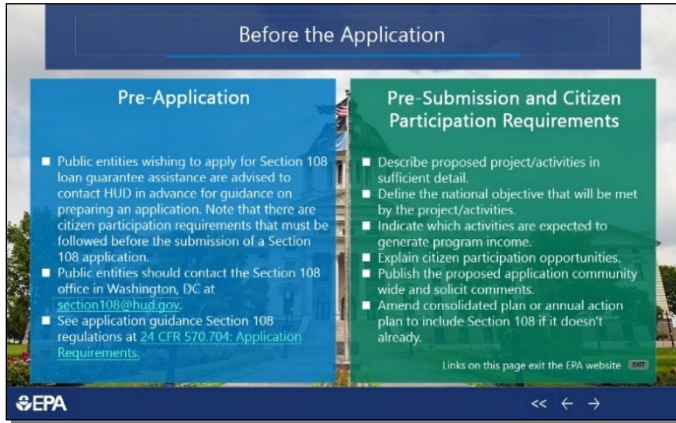


Chapter 5: Application



Applying for the Section 108 Loan Program

The Section 108 program employs a revolving application period that allows for potential borrowers to apply at any time. The process can be broken into multiple phases and has no set time frame. A dedicated team at FMD will help guide you through the process, requirements, documents, and any other questions you may have.



Before the Application

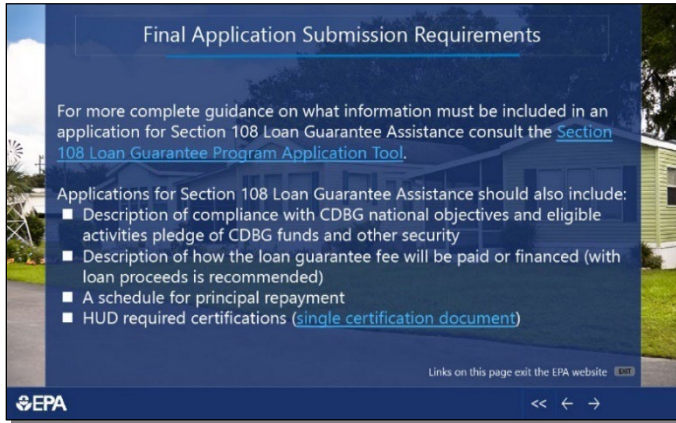
Pre-Application

- Public entities wishing to apply for Section 108 loan guarantee assistance are advised to contact HUD in advance for guidance on preparing an application. Note that there are citizen participation requirements that must be followed before the submission of a Section 108 application.
- Public entities should contact the Section 108 office in Washington, DC at section108@hud.gov.
- See application guidance Section 108 regulations at 24 CFR 570.704: Application Requirements (<https://www.ecfr.gov/current/title-24/subtitle-B/chapter-V/subchapter-C/part-570/subpart-M/section-570.704>).

Pre-Submission and Citizen Participation Requirements

- Describe proposed project/activities in sufficient detail.
- Define the national objective that will be met by the project/activities.
- Indicate which activities are expected to generate program income.
- Explain citizen participation opportunities.
- Publish the proposed application community wide and solicit comments.
- Amend consolidated plan or annual action plan to include Section 108 if it doesn't already.

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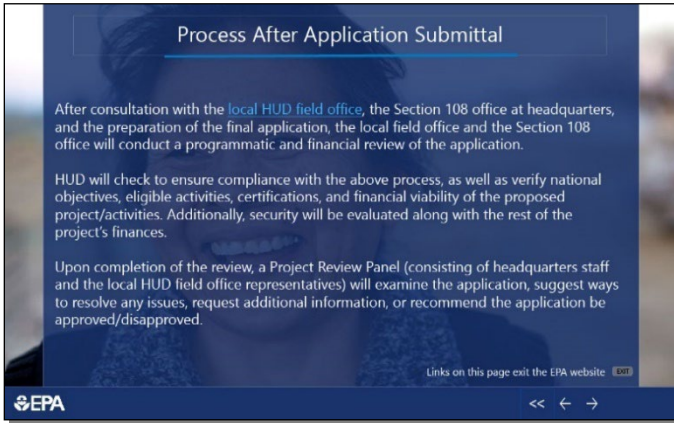
Final Application Submission Requirements

For more complete guidance on what information must be included in an application for Section 108 Loan Guarantee Assistance consult the Section 108 Loan Guarantee Program Application Tool (<https://files.hudexchange.info/resources/documents/Section-108-Application-Tool.pdf>).

Applications for Section 108 Loan Guarantee Assistance should also include:

- Description of compliance with CDBG national objectives and eligible activities pledge of CDBG funds and other security
- Description of how the loan guarantee fee will be paid or financed (with loan proceeds is recommended)
- A schedule for principal repayment
- HUD required certifications (single certification document) (<https://www.hudexchange.info/resource/5978/certifications-to-accompany-hud-section-108-loan-guarantee-program-applications-for-entitlement-public-entities/>)

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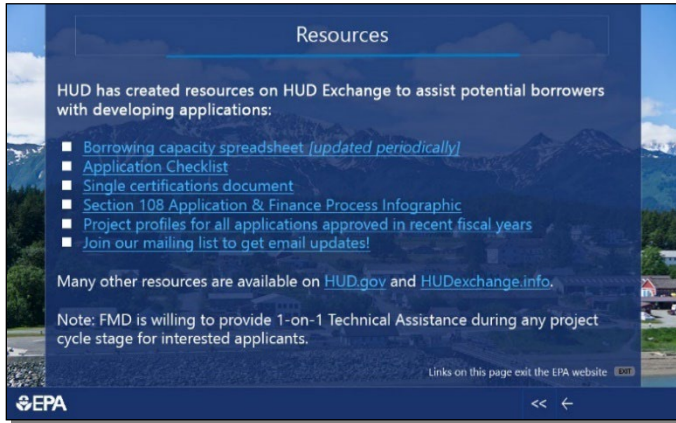
Process After Application Submittal

After consultation with the local HUD field office (https://www.hud.gov/program_offices/comm_planning/staff#fieldoffices), the Section 108 office at headquarters, and the preparation of the final application, the local field office and the Section 108 office will conduct a programmatic and financial review of the application.

HUD will check to ensure compliance with the above process, as well as verify national objectives, eligible activities, certifications, and financial viability of the proposed project/activities. Additionally, security will be evaluated along with the rest of the project's finances.

Upon completion of the review, a Project Review Panel (consisting of headquarters staff and the local HUD field office representatives) will examine the application, suggest ways to resolve any issues, request additional information, or recommend the application be approved/disapproved.

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Resources

HUD has created resources on HUD Exchange to assist potential borrowers with developing applications:

- Borrowing capacity spreadsheet [updated periodically] (<https://www.hudexchange.info/resource/5197/current-availability-of-section-108-financing-cdbg-entitlement-and-state-grantees/>)
- Application Checklist (<https://www.hudexchange.info/resource/5818/section-108-loan-guarantee-program-application-tool/>)
- Single certifications document (<https://www.hudexchange.info/resource/5978/certifications-to-accompany-hud-section-108-loan-guarantee-program-applications-for-entitlement-public-entities/>)
- Section 108 Application & Finance Process Infographic (<https://files.hudexchange.info/resources/documents/Overview-HUD-Section-108-Loan-Guarantee-Process-and-Typical-Associated-Timelines.pdf>)
- Project profiles for all applications approved in recent fiscal years (<https://www.hudexchange.info/programs/section-108/section-108-program-eligibility-requirements/#overview>)
- Join our mailing list to get email updates! (<https://www.hudexchange.info/maillinglist/>)

Many other resources are available on HUD.gov (<https://www.hud.gov/>) and HUDExchange.info (<https://www.hudexchange.info/>).

Note: FMD is willing to provide 1-on-1 Technical Assistance during any project cycle stage for interested applicants.

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