



OVERVIEW – SITE DEVELOPMENT LOANS

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Rural Development
U.S. DEPARTMENT OF AGRICULTURE

WHAT IS A SITE DEVELOPMENT LOAN AND HOW DO I GET ONE?

- Statutory Authority From Section 523 [42 USC 1490c(b)(3)] and Section 524 [42 USC 1490d(a)(1)]
- Regulation 7 CFR Part 1822, Subpart G, plus RD Instruction 444.8 and 1944-I, Exhibit F
- Application Steps:
 - Letter to USDA Rural Development with the following information included in or attached to the letter: (444.8, XI A)
 - Name and address of the nonprofit, public, or tribal organization applicant.
 - Organizational and other authorizing documents, names and addresses of the applicant's members, directors, and officers; and if another organization is a member of the applicant organization its name, address, and principal business.
 - A current, dated, and signed financial statement showing assets, and liabilities, together with information on the repayment schedule and status of each debt. Most recent audit, if available.
 - Evidence of inability to obtain credit from other sources at affordable interest rates and loan terms for very-low, low, and moderate income site development.

Competitive Fixed Rate
Flexible Repayment Term
(Two Years + Extensions)



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- Regulation 7 CFR Part 1822, Subpart G, plus RD Instruction 444.8 and 1944-I, Exhibit F
- Application Steps (continued):
- General description of the project which includes:
 - Location and size of tract or tracts to be bought and developed.
 - Number and size of individual sites planned together
 - Detailed plot plan, if available.
 - Preliminary engineering plans, if available.
 - Estimate cost and amount of loan request.
 - Explanation of applicant's financial contribution to the project.
 - A map showing the location of and other supporting information on neighborhood and existing community facilities and utilities.
 - How water and sewage systems, paved streets, sidewalks, lighting, and other utilities will be provided.
 - Evidence of need for the proposed sites by low- and moderate-income families (market survey or study).
 - Written evidence of any State, county or local planning, zoning or other ordinances imposing additional restrictions or requirements upon the proposed sites.



ARE THERE SITE DEVELOPMENT LOAN APPLICATION FORMS?

- Regulation 7 CFR Part 1822, Subpart G, plus RD Instruction 444.8 and 1944-I, Exhibit F

- Forms:

- RD Instruction 444.8, Exhibit B, Loan Resolution
- RD 400-1, Equal Opportunity Agreement
- RD 400-4, Assurance Agreement
- RD 400-6, Compliance Statement
- RD 1910-11, Applicant Certification
- OMB 1890-0014, Survey on Ensuring Equal Opportunity for Applicants including a DUNS # and CFDA 10.411
- HUD 935.2B Affirmative Fair Housing Marketing Plan (SFH)
or
- HUD 935.2A Affirmative Fair Housing Marketing Plan (MFH)...yes, site development loans can also be used to purchase and develop affordable multi-family rental housing sites!



WHAT HAPPENS ONCE AN APPLICATION IS ELIGIBLE?

- Environmental Documentation & Review for Applications Determined Eligible is **MANDATORY** prior to Loan Approval or Breaking Ground:

- Environmental Assessment Checklist (RD Instruction 1970-A, Exhibit C)
- Exclusion by RD Staff following 1970-B, CEs if 1-4 dwelling sites impacting less than 10 acres.
- EA by RD Staff following RD 1970-C for 5+ dwelling sites or 10+ acres with consultation:
 - ☐ SHPO / THPO (Historic Preservation, and possible Archeological Survey)
 - ☐ NRCS (Important Farmland and Wetlands)
 - ☐ FEMA, FWS (Flood and Coastal Resources)
 - ☐ FWS (Threatened / Endangered Species)
 - ☐ BLM, NOAA, NPS, USFS (Federal Land or River Designations)
 - ☐ State / Tribal Agencies (State EPA, Natural Resources, Agriculture, Tribes)
- Preliminary Public Notice (14 to 30 days)
- Final Public Notice



HOW CAN LOAN FUNDS BE USED?

- Eligible Loan Purposes are purchase and development of adequate and affordable sites for very-low, low and moderate income households, including expenses incurred after receipt of an application for:
 - Construction of essential access roads, streets, utilities, and related equipment which will become a permanent part of the development.
 - If public water and waste disposal facilities are not available and cannot reasonably be provided on a community basis with other financing, including RD WEP loans and grants, funds may also be included for this purpose.



HOW MANY GOVERNMENT EMPLOYEES DOES IT TAKE TO MAKE THESE LOANS? 😊

- Well, more than one...right?! Area, State and National office roles include:

- Environmental Review,
- Application Technical Assistance,
- Review of Engineering and Legal Agreements,
- Review of Appraisal (as-is value, and as-developed value up to 100% LTV),
- Recommendation to State Director (State Directors obtain National office concurrence for loan requests greater than \$400,000),
- Issue Letter of Conditions,
- Contract Document Review,
- Preconstruction Conference,
- Closing and Draws,
- Collection of Payments, and
- Lien Releases



DOES THE LOAN HAVE TO BE REPAYED?

- Yes --- site loans are fully secured loans, not grants.
 - Secured by a RD first mortgage,
 - Lot prices established by the as-developed appraisal, and the actual cost of purchase, development and resale,
 - No established interest or principal payments are due except from lot sales proceeds,
 - Proceeds are collected from each individual lot sale, less seller paid expenses, typically financed with a Section 502 direct or guaranteed loan to the buyer, and
 - Extensions beyond the two year loan term are approved by the National office



QUESTIONS?



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