

Community Development Block Grant (CDBG)— Section 108 Loan Guarantee Program

Eligible Uses

Construction/Capitalization, Technical Assistance

Overview (purpose, mechanisms)	<p>Section 108 loan guarantees provide communities with a source of financing for public facilities, economic development, housing rehabilitation, and large-scale physical development projects. It allows local governments to transform a small portion of their CDBG funds into federally-guaranteed loans large enough to pursue physical and economic revitalization projects. Under this program, entitlement communities can receive (in the aggregate) loan guarantees equal to five times their CDBG entitlement amount. Communities in non-entitlement areas can receive loan guarantees (in the aggregate) equal to five times the state's grant under the CDBG program. Section 108 loans are not risk-free, however; local governments borrowing funds guaranteed by Section 108 must pledge their current and future CDBG allocations to cover the loan amount as security for the loan. The maximum loan repayment period is 20 years. Grantees that have received guarantees in the past for activities that have yet not materialized may also request that HUD approve the use of those funds for other activities. Section 108 loans may be used to match FEMA grants.</p> <p>HUD has no authority to waive statutory requirements for the Section 108 Loan Guarantee program.</p>
Recipients	<p>Eligible applicants include the following public entities:</p> <ul style="list-style-type: none">• Metropolitan cities and urban counties (i.e., CDBG entitlement recipients).• Non-entitlement communities that are assisted in the submission of applications by states that administer the CDBG program.• Non-entitlement communities eligible to receive CDBG funds under the HUD-Administered Small Cities CDBG program (Hawaii). The public entity may be the borrower or it may designate a public agency as the borrower.
Eligible Activities	<p>The Section 108 loan guarantees can be used to finance acquisition of real property (including related public improvements, clearance, and relocation), rehabilitation of publicly-owned real property (including infrastructure such as streets), housing rehabilitation, public facilities, and economic development activities. In general, the guaranteed loan funds must be used in accordance with all the other requirements that apply to CDBG funds received directly from HUD, including the requirement that 70 percent of loan proceeds, considered together with grant funds and program income, must be used for activities that principally benefit low- and moderate-income persons.</p>
Cost Sharing	None

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Application Requirements	<p>To apply for a Section 108 Guaranteed Loan, applicants should contact their local HUD office (http://www.hud.gov/local/index.cfm) in advance for help in preparing an application. The program has no forms, but the following is the process required, as described in 24 CFR 570.704.</p> <p>A. Pre-submission and Citizen Participation Requirements: (1) development of a proposed application, (2) compliance with CDBG citizen participation public hearings, (3) publication of the proposed application, (4) preparation of the final application, (5) inclusion of the final application in the Consolidated Plan.</p> <p>B. Application Submission Requirements: (1) description of compliance with CDBG National Objectives and Eligible Activities, (2) schedule for repayment, (3) certifications.</p>
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Additional Sources/Contact Information

For more information on the CDBG Section 108 Loan Guarantee program, contact your local HUD field office (<http://portal.hud.gov/hudportal/HUD?src=/localoffices>). When applying for a Section 108 loan, the field office is the first to become involved in reviewing the application.

Using CDBG and HOME Funds for Disaster Recovery

http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs/dri/actsheet

Section 108 Loan Guarantee Program

http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs/108

Section 108 Application Questions

http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs/108/appquestions

Additional information may be available from the Section 108 office at HUD headquarters in Washington, D.C.: Section 108 Loan Guarantee Program, Office of Community Planning and Development, U.S. Department of Housing and Urban Development, 451 7th Street, SW Room 7206, Washington, DC 20410, (202) 708-1871 or (202) 708-1506