

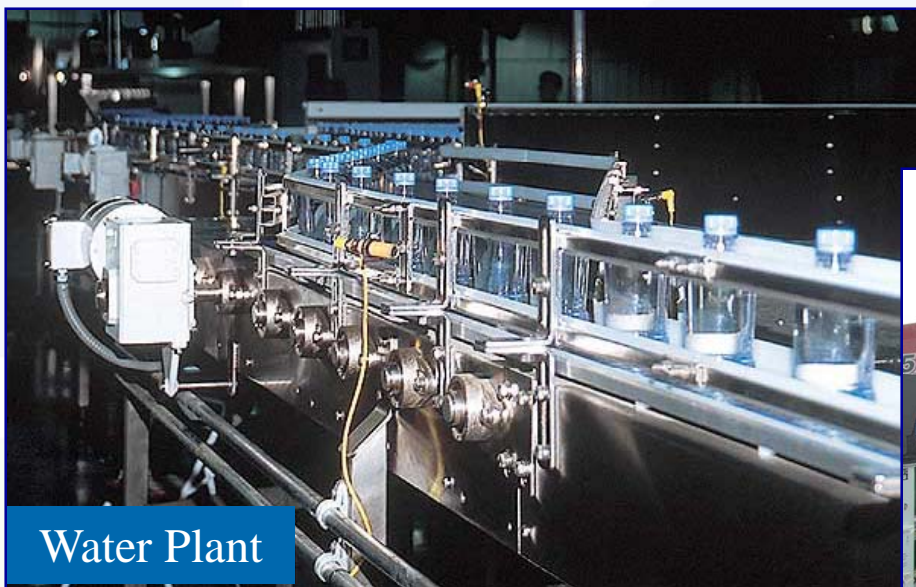


**Committed To The Future
of Rural Communities**

What Services Does Rural Development Provide in Michigan?



Rural Business Provides



Committed to the future of rural communities.

Business Development & Cooperative Services

Community Programs Provides



Day Care



Assisted Living Center



Grant - Ambulance

Community Programs Provides



Committed to the future of rural communities.

Rural Utilities

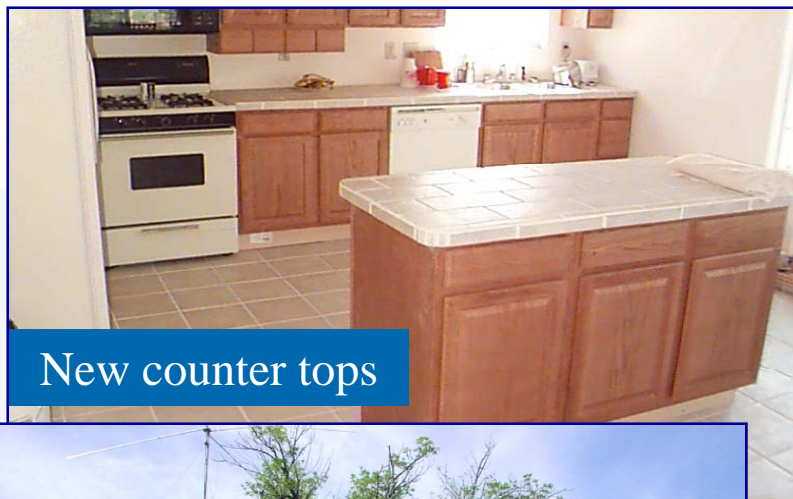
Rural Housing Provides



Committed to the future of rural communities.

Rental Housing

Rural Housing Provides



New counter tops



New windows



Roof repairs



Siding



Committed to the future of rural communities.

Home Repair and Rehabilitation

Rural Housing Provides

Guaranteed



Direct



Self-Help



Committed to the future of rural communities.

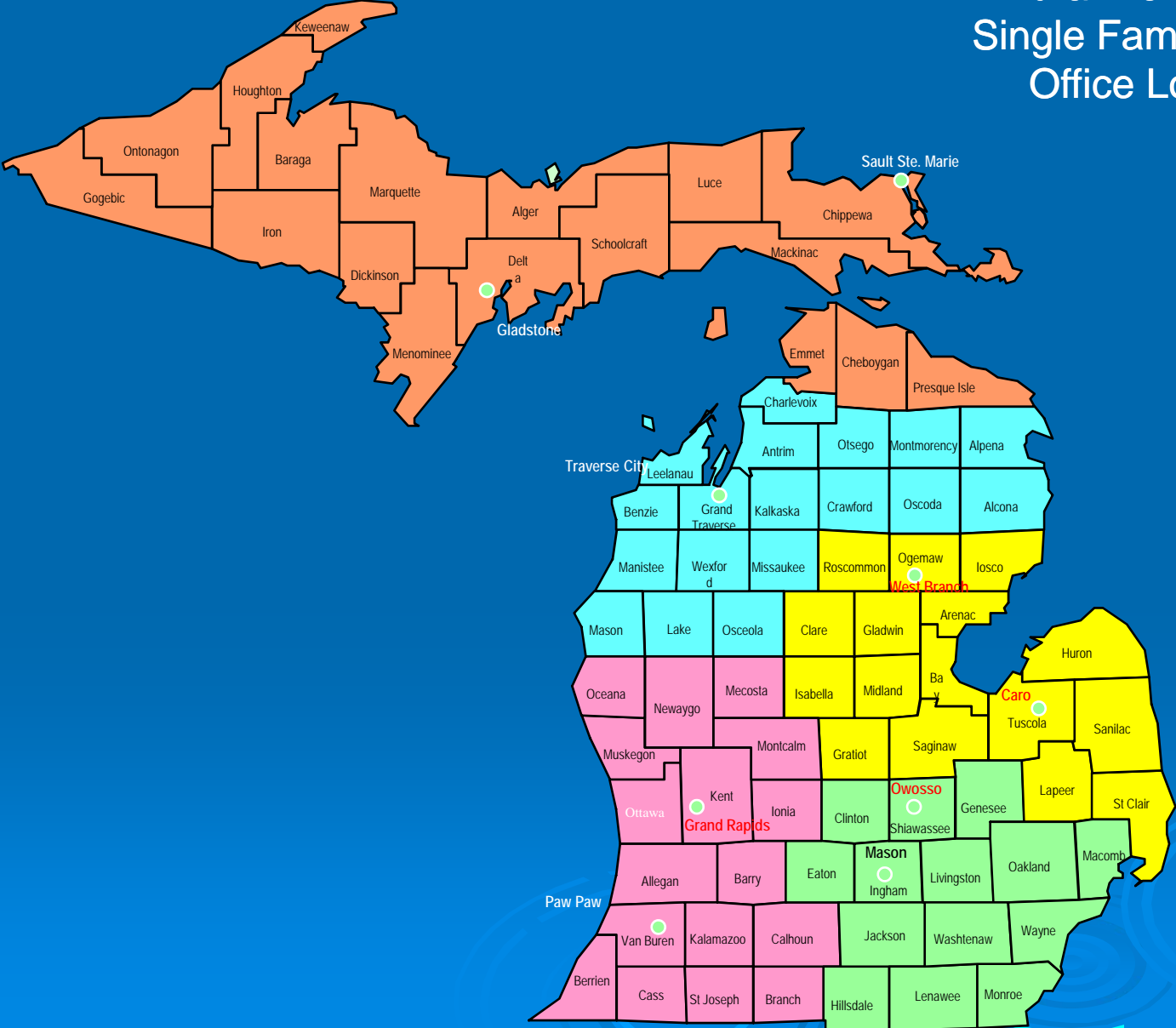
Home Ownership

2007 Accomplishments

Program	Project Type	Funds Obligated
Community Programs	Community Facilities	\$48,121,000
Community Programs	Water and Waste	\$51,980,000
Community Programs	Telecommunications	\$1,520,859
Single Family Housing	Guaranteed Home Loan	\$224,723,758
Single Family Housing	Direct Home Loan	\$36,764,652
Single Family Housing	Home Repair Grants and Loans	\$2,071,135
Business Programs	Guaranteed Loans	\$13,222,100
Business Programs	Other Grants	\$1,744,000
Business Programs	9006 Renewable Energy	\$2,361,093
Multi Family Housing	Direct and Guaranteed Loans	\$24,363,739
Multi Family Housing	Housing Preservation Grants	\$476,421
Multi Family Housing	Rental Assistance	\$17,022,418
Total Funding - All Projects		\$424,371,175

\$424,371,175 in 2007

Rural Development Single Family Housing Office Locations





USDA Rural Development Single Family Housing Eligibility

 Shaded areas represent locations that are ineligible for financing in the Single Family Housing Programs.

Please consult the RD website for additional detail and specific locations.

Property-specific determinations: <http://eligibility.sc.egov.usda.gov>

Maps: <http://www.rurdev.usda.gov/mi/mapsmain.htm>



502 Direct Loan Program 504 Loan / Grant Program



House financed through the Flint Local Office

Purpose

To help low-income individuals or households purchase homes in rural areas.

Loan funds come directly from Rural Development to buy, build, and repair homes.

We can finance existing homes, modular homes, stick-built new construction, or new manufactured homes

Special Forms of Ownership

Condominium Units

Community Land Trusts

Planned Unit Developments (Site Condominiums)

Leased land

A decorative graphic consisting of several sets of concentric circles in a lighter shade of blue, located in the bottom right corner of the slide.


Loan Process for 502 Direct Loans

- **Prequal** (determines how much an applicant may be eligible for)
- **Application**
- **Certificate of Eligibility**
- **Shop for a house**
- **Appraisal**
- **Inspections (home, well, septic and pest)**
- **Close**

Terms

30 years for new manufactured homes

33 years for all other types of housing.
(Up to 38 years if less than 60% of the
adjusted median income.)

A decorative graphic consisting of several sets of concentric circles, resembling ripples in water, located in the bottom right corner of the slide. The circles are light blue and vary in size and opacity.

Credit Requirements

- **Similar to conventional lenders**
- **Credit score of lower than 640 requires a detailed credit analysis.**
- **Adverse credit requires a review and credit counseling based on RD requirements**
- **No credit score / alternate credit verification**
- **Lenient on medical collections (like to see evidence of payment arrangements.)**

Income

Start with annual household income adjustments for children, day care expenses, elderly household, etc.

Adjusted income used to determine program eligibility & amount of payment assistance

The applicant must have a two year history of receiving stable income

Income Limits

Household Size

County	1	2	3	4
Grand Traverse	34,950	39,900	44,900	49,900

Repayment Income

Used to determine how much applicant qualifies for.

Only consider the income from applicants who will sign the promissory note.



Maximum Loan Amount

Grand Traverse County	\$168,400
-----------------------	-----------

Key Elements

No down-payment is required.

Loan Payments are subsidized and are based on income.

The effective interest rate can go as low as 1%

Families must be without adequate housing and unable to obtain credit elsewhere



Key Elements

Existing House – Obtain a whole house inspection.

Lead Based Paint

State Historic Preservation Office (SHPO)

Property Requirements

- In ground swimming pools and structures such as farm related outbuildings or land designed for income-producing purposes are prohibited.
- Private roads are not eligible, unless the house is located in a site condominium development
- Home based operations such as a day care that do not require specific features are allowed.

Recapture

The lower of:

The full amount of subsidy provided or

Up to 50% of the value appreciation.



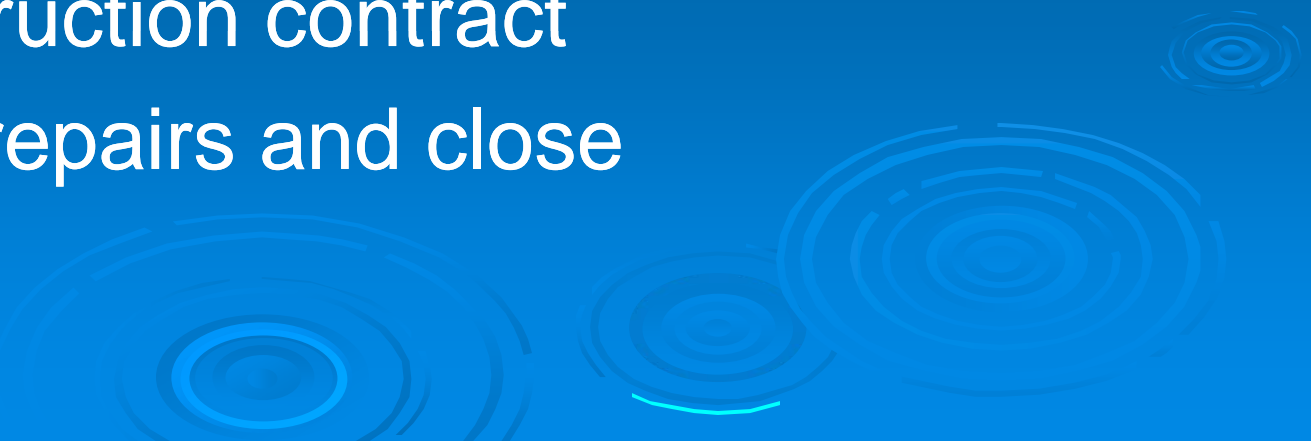
504 Housing Repair Loans and Grants

504 Loans: This program provides loans to very low income homeowners to improve or modernize their home, making it decent, safe and sanitary.

504 Grants: This grant program helps homeowners make repairs and improvements to correct health and safety hazards, or make the home handicap accessible

504 Loans and Grants

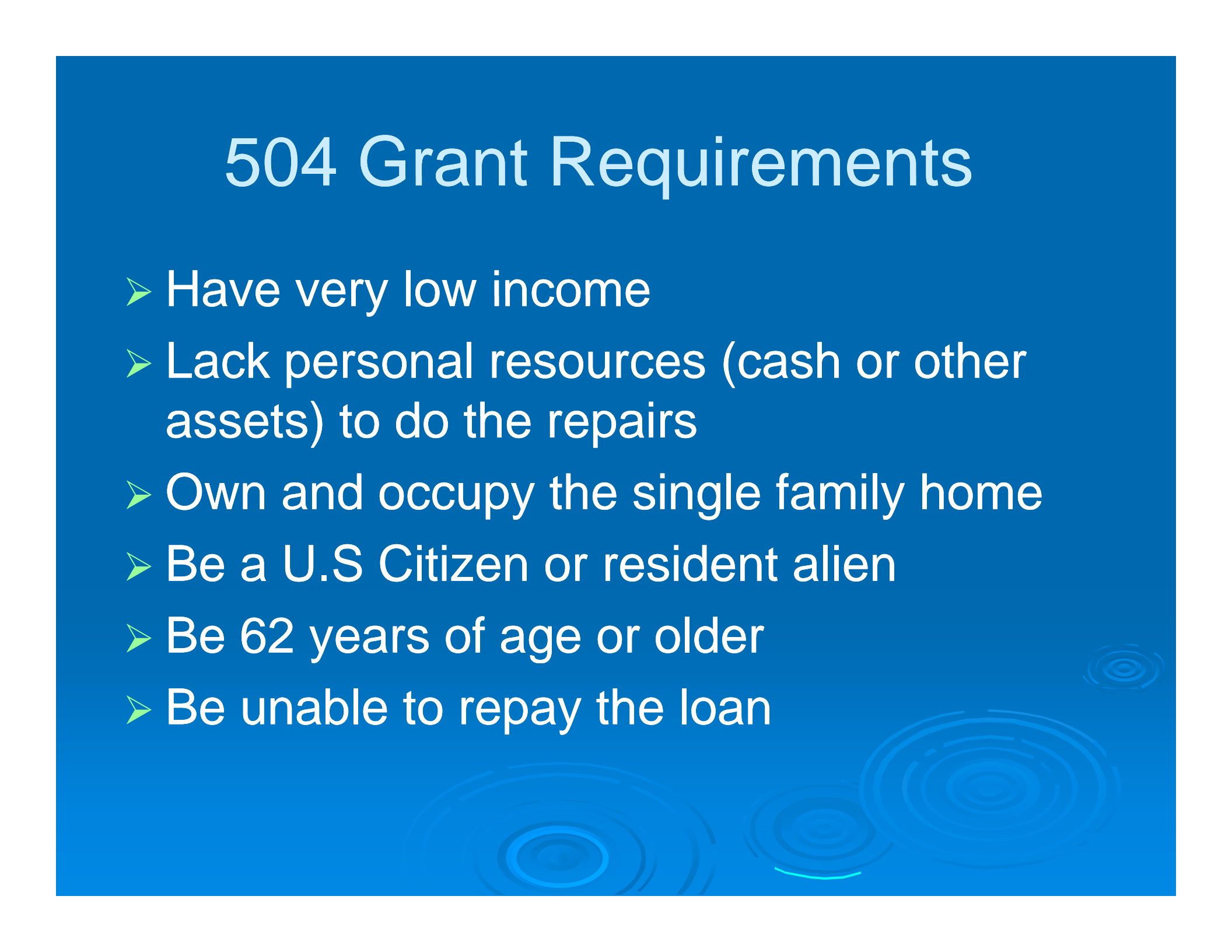
Loan Process

- Complete Application and Budget
 - Site visit from loan specialist
 - Obtain bids for repairs
 - Sign construction contract
 - Complete repairs and close
- 

504 Loan Requirements

- Have very low income
- Be unable to obtain credit elsewhere
- Own and occupy the single family home
- Be at least 18, a U.S Citizen or resident alien
- Have acceptable credit history
- Be able to repay a loan
- Must have legal capacity to incur the loan obligation

504 Grant Requirements

- Have very low income
 - Lack personal resources (cash or other assets) to do the repairs
 - Own and occupy the single family home
 - Be a U.S Citizen or resident alien
 - Be 62 years of age or older
 - Be unable to repay the loan
- 

504 Home Repairs

504 Grant recipient gets new handicap accessible bathroom.



504 Home Repairs

It is possible to obtain loan/grant combinations

Grant funds used to put on metal roof and new porch.



Terms

Loans:

Up to 20 years for a 504 loan depending on repayment ability.

Grants: Must remain in the home for up to 3 years after the grant is received.



Credit Requirements for 504 Loans

- **Similar to conventional lenders**
- **Credit score of lower than 640 requires a detailed credit analysis.**
- **Adverse credit requires an acceptable explanation**
- **No credit score / alternate credit verification**
- **Lenient on medical collections**

Income

To qualify for a 504 loan/grant an applicant must be in the Very Low income category.

County:	Family size:			
	1	2	3	4
Grand	21,850	24,950	28,100	31,200
Traverse				

Rural Housing Programs

Guaranteed Rural Housing Loan Program



Guaranteed Rural Housing Program Background

- Started in 1991
- Over \$2 billion worth of GRH loans in Michigan
(National Leader)

GRH Income Limits

Household Size

County

1

2

3

4

Grand

50,250

57,400

64,600

71,750


Traverse



Major Advantages

- **Partner with private sector lenders**
 - **Can combine GRH with MSHDA**
- **Can be combined with most DPAs (Down Payment Assistance Program)**
- **102% of appraised value**
- **Abundant Funding, \$5.2 Billion**

Major Advantages

- **Not limited to first time home buyers**
 - **No Pre Payment Penalties**
 - **Quick Turn Around Time of 24 to 48 hours**
- 

Guaranteed Rural Housing

Loan Terms

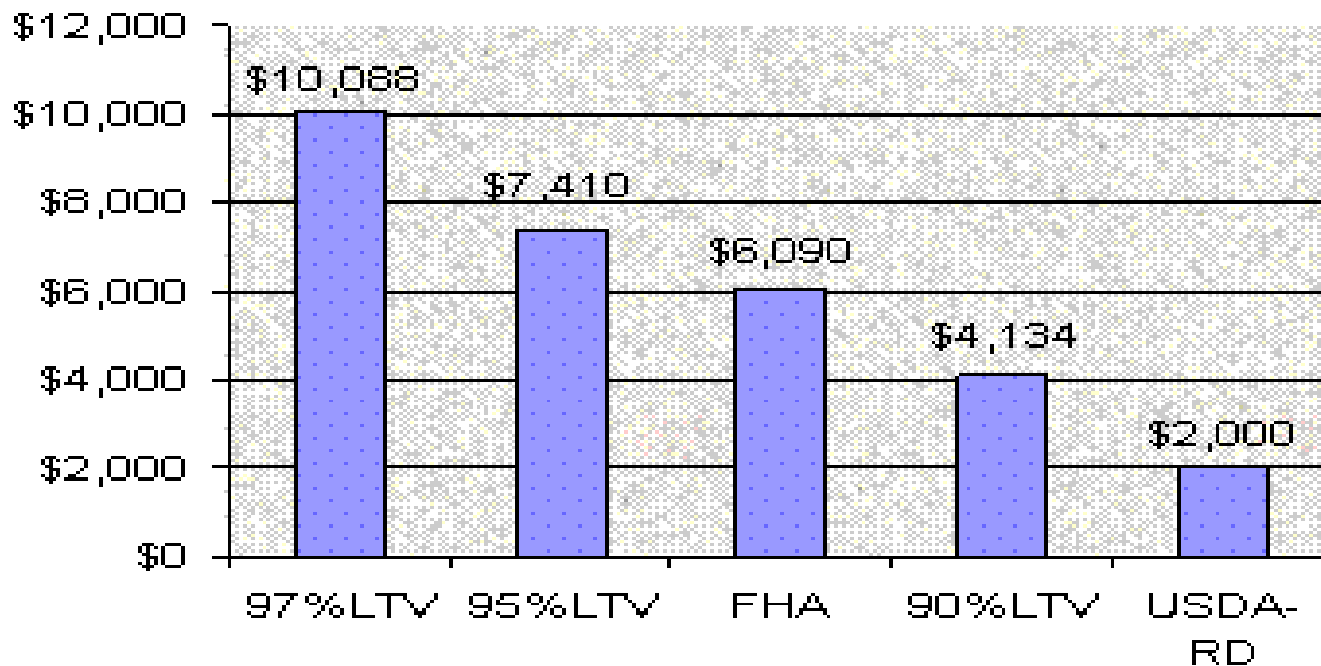
- Zero Down
 - 30 year fixed rate mortgage
 - Market Interest Rate
 - Seller Concessions allowed
 - No PMI
- 

Guaranteed to Pay Less!

The 10 Year Cost to Insure a \$100,000 Purchase

GUARANTEED TO PAY LESS!

Illustration of 10 year insurance costs on \$100,000 purchase loans



Guaranteed Rural Housing

Applicant Eligibility

- **Moderate Income Families**
 - **\$70,750 for a family of four in Alpena County**
- **Repayment Ratios 29% and 41%**
 - **Ratio Waivers available**


Guaranteed Rural Housing

Applicant Eligibility

- **Good credit history**
 - **Compensating factors allowed**
 - **No minimum credit scores**
- 

Guaranteed Rural Housing

GRH Eligible Loan Purposes

- **New or existing stick built, or modular houses**
 - **New manufactured units (Approved D/C)**
 - **Condominiums**
- 

Guaranteed Rural Housing

GRH Eligible Loan Purposes

- **Most application/ processing/closing costs**
- **Appraisal and inspection fees**
- **Required repair cost**

Guaranteed Rural Housing

Property Issues

- **Conventional Appraisal**
- **Existing Home Certificate**
- **Site value not more than 30% of appraised**
- **Site Condos treated like traditional SF homes**

Guaranteed Rural Housing

Property Eligibility

- All Counties have eligible area
- <http://eligibility.sc.egov.usda.gov>



www.rurdev.usda.gov/mi/mapsmain.htm

Rural Housing Programs

GRH and Direct 502 SFH in FY 07

\$263,559,547.00

Rural Housing Programs

2007's Commissions @ 6%

\$15.8 Million!!!

Rural Development Contacts

➤ 1 (800) 944-8119

➤ 1 (888) 771-6993

➤ www.rurdev.usda.gov/mi

REO Purchase

<http://www.resales.usda.gov/properties.cfm>



QUESTIONS

USDA Rural Development

*Committed to the Future of
Rural Communities*

Traci Smith

**Business & Cooperative Program
Director**

517-324-5221



Rural Business Services

- Business & Industry Guaranteed Loans
- Rural Business Enterprise Grants
- Intermediary Relending Program
- Rural Economic Development Loans
- Renewable Energy Efficiency Grants
- Value-Added Producer Grants



B&I Guaranteed Loans

- Create jobs and stimulate rural economies by providing financial backing for rural businesses
- Guaranteed loans made by lenders with our guarantee
 - Lender and borrower negotiate terms



Rural Area

- Business must be located in a rural area
- Population of 50,000 or less
- Web site to determine eligibility:

<http://eligibility.sc.egov.usda.gov>



Eligible Borrowers

- Cooperative, Corporation, Partnership, Individual, Tribal Group or Public Body
- 51% owned by persons who are either U.S. Citizens or have been legally admitted for permanent residence



Ineligible Borrowers

- Churches, Charitable or Fraternal Organizations
- Lending, Investing or Insurance Companies
- Government employees and military personnel who are directors or officers or have 20% or more ownership in the business



Eligible Loan Purposes

- Existing or Start-up Businesses
- Real Estate and Buildings
- Machinery & Equipment
- Term Working Capital
- Refinancing (max. 49% existing exposure)
- Hotels, restaurants, machine shops, processing facilities, retail stores, grocery stores, car dealerships



Ineligible Loan Purposes

- Agricultural Production
- Golf Courses
- Gambling
- Racetracks
- Housing
- Equity Distributions to Existing Owners
(if maintaining any ownership)
- Line of Credit Loans
- Loans with Balloon Payments



Rates & Terms

- Real Estate 30 years
- Building or Construction 30 years
- Machinery & Equipment 15 years
- Working Capital 7 years
- Debt Refinancing 30 years

- Interest Rate is Negotiated between Business & Lender – (*can be Fixed or Variable, adjusting not more than quarterly*)



Percentage of Guarantee & Fees

- To \$5 Million.....up to 80%
- \$5 - \$10 Million.....up to 70%
- Over \$10 Million.....up to 60%

- Fee is 2% of Guarantee Amount
($\$500,000 \times 80\% \times 2\% = \$8,000$)
plus annual recurring fee – currently 1/4 %



Credit Requirements - Collateral

- 1 to 1 coverage on a discounted basis
- Any reasonable, sound loan-to-value discount policy (consistent with non-guarantee loans)

Generally:

Real Estate/Buildings	75% of mkt value
M&E	60% of mkt value
AR & Inventory	60% of book value

Required: Unlimited, unsecured personal guarantees of anyone with 20% or more ownership in the business



Credit Requirements - Equity

- Existing Business 10%
- New Business/New Ownership 20%
- Tangible Balance Sheet Equity, as a % of Total Assets, on a Book Basis, according to GAAP

Must remove intangibles, subordinated debt and appraisal surplus from both assets and equity



Credit Requirements - Other

- Adequate Cash Flow & Debt Service Ability
- Management Ability
- Acceptable Personal & Business Credit History



Loan Process

- Pre-application

- Lender's Credit Analysis

- Make sure it includes source & use of funds and a post closing pro-forma balance sheet*

- Financial Statements

- (5 to 10 Business Days)

- Can call anytime to get our feel of the proposal before submitting any information.



Application

- Field Visit
- Application for Guarantee (*see packet*)
- Business Plan or Feasibility Study (*see packet*)
- Credit Reports
- Proposed Business Loan Agreement (*see packet*)
- Environmental Assessment/SHPO
- Appraisal

– (5 – 15 Business Days)



Loan Process

- Agency Credit Committee Approval
- Conditional Commitment is Issued
6 Day Delay (*see packet*)
- After Loan is Closed, submit Closing Docs.,
Appraisal, Balance Sheet & Check for Fee
- Loan Note Guarantee is Issued After the
Project is Complete



Participation or Sale of Guarantee

- Lender may sell 100% of the Guaranteed Portion of the Note
- Lender may sell some of the unguaranteed portion of the Note
- Lender is required to hold in its own portfolio a minimum of 5 percent of the total loan amount.



Sale of Guarantee – Example #1 (5.5% Premium, 2% Service Fee)

ASSUME \$500,000 LOAN, P+2(7%), 20 YEARS, 80% GUARANTEE

Original Loan	\$500,000
Sale Proceeds	<u>\$400,000</u>
Invested Funds	\$100,000

Approximate yield on invested Funds:

Service Fee: 2% on \$400,000	\$ 8,000
7% on \$100,000	\$ 7,000
5.5% Premium on \$400,000	<u>\$22,000</u>
Total Income	\$37,000

First year's yield on invested funds is approximately 37%

Subsequent years yields are approximately 15%



Sale of Guarantee – Example #2 (7.75% Premium, 1% Service Fee)

ASSUME \$500,000 LOAN, P+2(7%), 20 YEARS, 80% GUARANTEE

Original Loan	\$500,000
Sale Proceeds	<u>\$400,000</u>
Invested Funds	\$100,000

Approximate yield on invested Funds:

Service Fee: 1% on \$400,000	\$ 4,000
7% on \$100,000	\$ 7,000
7.75% Premium on \$400,000	<u>\$31,000</u>
Total Income	\$42,000

First year's yield on invested funds is approximately 42%

Subsequent years yields are approximately 11%



Loan Servicing Requirements

- Annual Financial Statements (GAAP)
- Annual Lender Analysis
- Annual Field Visit

- Liquidation is performed by lender with agency approval
- After applying sale proceeds, guarantee covers up to 80% of loss lender would have otherwise incurred.



Rural Business Enterprise Grants

- Facilitate the development of small and emerging private businesses
- Money goes to non profit or public body to spur business in the area – cannot go to private business
 - Eligible purposes include: feasibility studies, technical assistance, build access streets to industrial parks, establish revolving loan funds
 - No repayment required by entity receiving grant
 - Generally receive 4 times request vs. funds



Intermediary Re-lending Program Loans (IRP)

- Finance businesses and community development projects in rural areas
- Public bodies, non-profit entities, and tribes apply to Rural Development
 - They establish revolving loan fund that funds local business development
 - They receive the loan from RD at 1% for 30 years
 - Local businesses receive loan on terms consistent with security offered



Rural Economic Development Loans

- Finance economic development and job creation in rural areas
- Only RUS financed electric and telephone cooperatives are eligible
- The cooperative makes loans to for-profit businesses, non-profit businesses or public bodies for rural economic development and/or job creation projects
 - Loan terms are 0% for 10 years



Renewable Energy & Efficiency Grants

- Matching grant program for renewable energy systems or energy efficiency improvements
- Eligible applicants are small businesses, farmers and ranchers
- Pays up to 25% of project costs including wind, solar, biomass, geothermal, or other renewable energy sources. Also can be used to make energy efficiency improvements



Value-Added Producer Grants

- Matching grant program for value-added ventures
- Eligible applicants are agricultural producers and producer organizations
- Can be used to conduct feasibility analyses, develop business and marketing plans, and conduct other types of studies to help establish a viable value-added business venture. Can also be used to establish working capital accounts.













Community Facilities Programs

Provides funding for essential community facilities through loan and grant programs.

Rural Utilities Service Programs

Provides funding for essential infrastructure needs of a community through loans and grants.

CF Programs Available

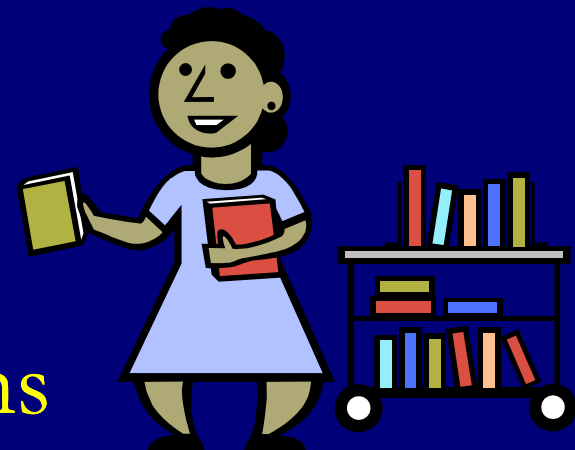
- Direct Loans
- Guaranteed Loans
- Direct Grants
 - Child Care Grant Initiative
 - Economic Impact Initiative
 - Tribal College Initiative



Who?

Eligible Applicants

- Public Entities
- Non-Profit Corporations



Tribal Governments

Who do not have access to
reasonable rates and terms elsewhere

What?

Eligible Purposes

- Construction, enlargement, renovation or overall improvement of facilities
- Costs to acquire land
- Equipment purchases
- Professional fees
- Refinancing existing debts



For essential community facilities

Where?

Eligible Rural Areas

- Projects must **primarily** serve rural residents
- Cities, towns, and census designated places (CDP's) with populations of **20,000** or less
- Make sure to check population of where facility is located (not service area)

When?

Funding Cycles

- Applications accepted **year-round** for all programs
- Fiscal Year starts in October
- National Pooling in July-August
- Fiscal Year ends in September



Direct Loans

- Rural Development is lender
- Interest rate based on Median Household Income of service area (not location of facility)
 - Market Rate: MHI greater than \$45,768
 - Intermediate Rate: MHI less than \$45,768
 - Poverty Rate: MHI less than \$45,768



City of Onaway's City Hall

Direct Loans

- Fixed rate locked at obligation
- Terms based on life expectancy: 15, 30, 40
- No penalties for extra payments or early payoff



Crawford County's "AuSable Valley Animal Shelter"

Guaranteed Loans

- Applicant chooses lender
- Rural Development guarantees 90% of lender's loan
- Rates negotiated between applicant and lender
- Terms negotiated between applicant and lender
- One time fee for service
 - 1% of guaranteed portion



Direct Grants

- Eligibility based on MHI of service area and population of the community the facility is located in
- Dependant on availability of funding
- Average grant is \$10,000-\$40,000
- First come, first served based on priority of applications on hand

Direct Grants: Child Care



Intertribal Council/Little Traverse Bay Band Head Start

- Must have a “drop-off daycare” aspect
- Maximum grant \$50,000 based on eligibility
- National competition for funding

Yearly application deadline of April 1st (June 1st for FY 09)

Direct Grants: Economic Impact

- Must have a “not-employed rate” over 19.5%
- Maximum grant \$100,000 based on eligibility



Peaine Township Stump Grinder

Yearly application deadline of June 1st

Direct Grants: Tribal Colleges

- Maximum grant \$350,000 based on eligibility
- Only tribal colleges can apply
- National competition for funding



Bay Mills Community College

Yearly application deadline of June 1st

RUS Programs Available

- Water and Environmental Programs
- Distance Learning/Telemedicine
- Solid Waste Management/Technical Assistance & Training
- Telecommunications/Broadband
- Community Connect
- Household Water Well System Program
- Electric Program

WEP Programs

- Direct Loans
- Guaranteed Loans
- Direct Grants



The Village of Honor's Lagoon Sewage Treatment System

Who?

Eligible Applicants

- Public Entities
- Non-Profit Corporations



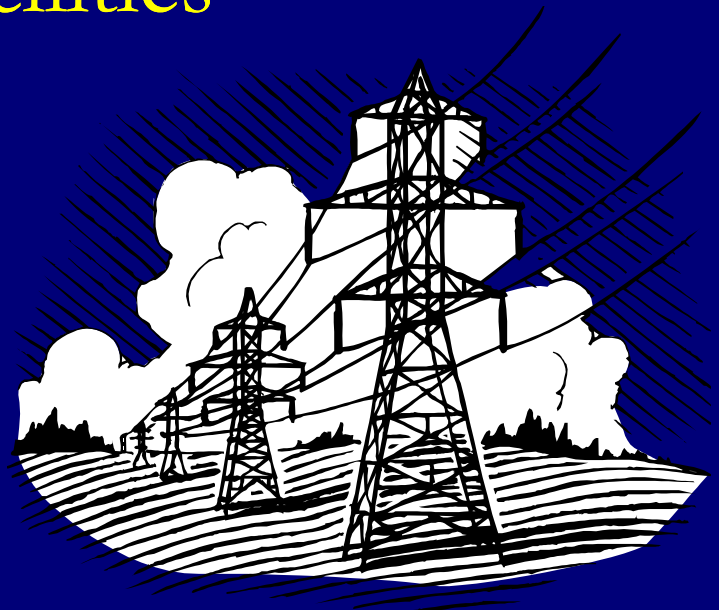
Tribal Governments

Who do not have access to
reasonable rates and terms elsewhere

What?

Eligible Purposes

- Construction, enlargement, renovation or overall improvement of facilities
- Costs to acquire land
- Equipment purchases
- Professional fees
- Refinancing existing debts



For Publicly Available Utility Systems

Where?

Eligible Rural Areas

- Projects must **primarily** serve rural residents
- Cities, towns, and census designated places (CDP's) with populations of **10,000** or less

Direct Loans

- Rural Development is lender
- Interest rate based on Median Household Income of service area (not location of facility)
 - Market Rate: MHI greater than \$45,768
 - Intermediate Rate: MHI less than \$45,768
 - Poverty Rate: MHI less than \$45,768



Direct Loans

- Fixed rate locked at obligation
- Terms based on life expectancy
- No penalties for extra payments or early payoff



Guaranteed Loans

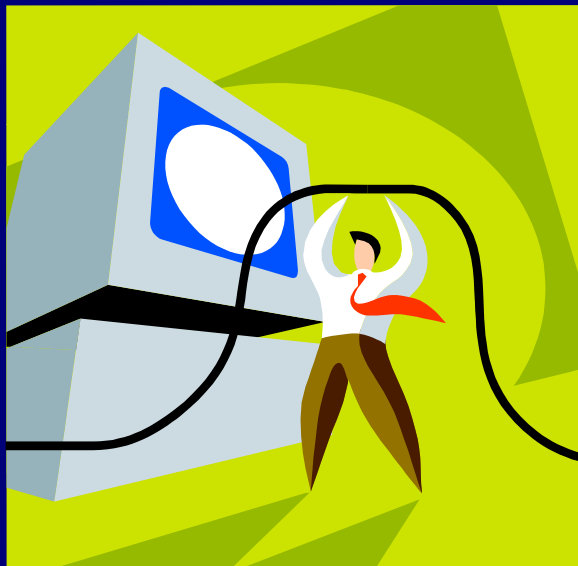
- Applicant chooses lender
- Rural Development guarantees 90% of lender's loan
- Rates negotiated between applicant and lender
- Terms negotiated between applicant and lender
- One time fee for service
 - 1% of guaranteed portion



Direct Grants

- Eligibility based on MHI of service area and population of the community the facility is located in
- Dependant on availability of funding
- Never more than 75% of project total
- First come, first served based on priority of applications on hand

Distance Learning and Telemedicine (DLT) Program



Designed to meet the educational and health care needs of rural America through the use of advanced telecommunications technologies.

www.usda.gov/rus/telecom/dlt/dlt.htm

DLT Grant Program Eligibility

Organizations must:

- Currently deliver or propose to deliver distance learning or telemedicine services.
- Be legally organized as an incorporated organization or partnership; an Indian Tribe; a state or local government; a consortium; or other legal entity.
- Operate a rural community facility or deliver distance learning or telemedicine services to entities that do.

The **Minimum** Amount of a grant is \$50,000.

The **Maximum** amount of a grant is \$500,000.

DLT Loan/Grant Program

The DLT Program provides four kinds of financial assistance:

1. 100% grant
2. 100% loan
3. Combination loan/grant
4. Combination loan/grant for Electronic Medical Records



Solid Waste Management (SWM) and Technical Assistance and Training (TAT) Grants

- SWM grants:
 - Reduce or eliminate pollution of water resources
 - Improve planning and management of solid waste disposal facilities
- TAT grants:
 - Identify and evaluate solutions to water and wastewater disposal problems
 - Assist RUS borrowers in preparing applications
 - Improve the operation and maintenance of existing water and wastewater disposal facilities

Who?

Eligible Applicants

- SWM Grants:
 - Public Bodies
 - Private Non-Profits
- TAT Grants:
 - Private **Non-Profit** organizations **ONLY**



Telecommunications and Broadband Programs

- **Infrastructure Loan Program:** Loans to local telephone companies for improving telecommunications service in rural communities
- **Broadband Access Loan Program:** Loans and grants for local telephone companies and other service providers who offer Broadband (high-speed Internet) services in eligible communities

- <http://www.usda.gov/rus/telecom/>



Who?

Eligible Applicants

- Corporations
- Limited Liability Companies
- Cooperative or Mutual Organizations
- Tribal Governments
- Public Bodies



What?

Eligible Purposes

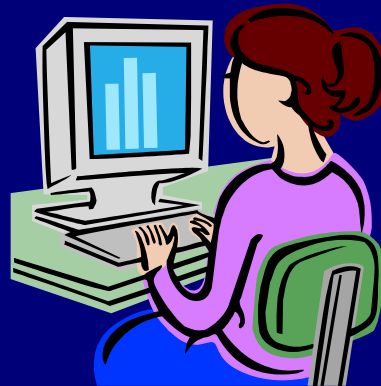
- Facility Construction or purchase
- Facility Renovations
- Equipment for broadband services



Community Connect Grants

Provides financial assistance to furnish broadband service in rural, economically-challenged communities where such service does not currently exist

www.usda.gov/rus/telecom/commconnect.htm



Community Connect Grants

- Provide a Community Center with at least ten (10) Computer Access Points within the proposed Service Area, and make Broadband Transmission Service available in the Center free of all charges to users for at least 2 years.
- The **Minimum** Amount of a grant is \$50,000.
- There is no **Maximum** grant amount.

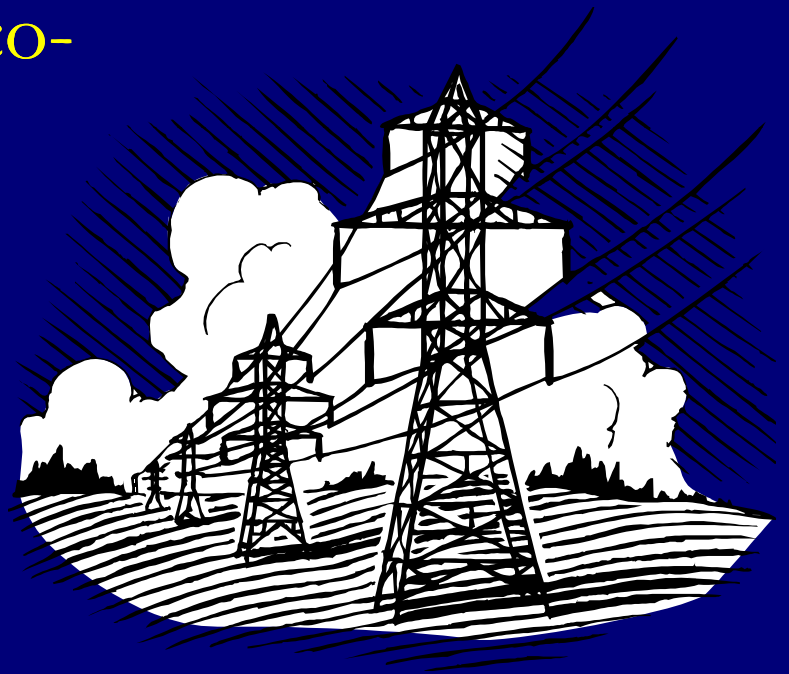


Household Water Well System Grant Program

- Provides grants to qualified private non-profit organizations to establish lending programs for household water wells.
- Homeowners or eligible individuals borrow money from an approved organization to construct or upgrade their private well systems.
- Contact: Cheryl H. Francis, Loan Specialist
Water and Environmental Programs
Phone: 202-720-1937
cheryl.francis@wdc.usda.gov
- <http://www.usda.gov/rus/water/well.htm>

Electric Program

- Direct and guaranteed loans
- Available to corporations, co-ops, non-profits, limited dividends, states, public bodies, utility districts and mutual associations
- Finance construction of electric transmission and generation facilities



Questions or Comments?

TRAVERSE CITY AREA OFFICE

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Valarie Handy, Specialist

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Committed to the future of rural communities.