

RD AN No. 4359 (1942-A)  
(3570-B)  
(3575-A)  
April 23, 2008

TO: State Directors  
Rural Development

FROM: Russell T. Davis (*Signed by James C. Alsop*) for  
Administrator  
Housing and Community Facilities Program

SUBJECT: Guidance for Determining Eligibility of Faith-Based and Community  
Organizations for Community Facilities Financing

**PURPOSE/INTENDED OUTCOME:**

This issuance is intended to provide guidance on determining the eligibility of faith-based and community organizations for Community Facilities (CF) loans, grants, and loan guarantees. This guidance is issued in accordance with the Executive Order, "Equal Protection of the Laws for Faith-Based and Community Organizations," dated December 12, 2002.

**COMPARISON WITH PREVIOUS AN:**

This AN replaces and updates RD AN No. 4228 (1942-A, 3570-B, & 3575-A) dated December 15, 2006, which expired December 31, 2007.

EXPIRATION DATE:  
April 30, 2009

FILING INSTRUCTIONS:  
Preceding RD Instruction  
1942-A, 3570-B, and 3575-A

**IMPLEMENTATION RESPONSIBILITIES:**

The Community Facilities regulations limit eligible applicants to public bodies, Indian tribes, and organizations operated on a not-for-profit basis. RD Instruction 1942-A, § 1942.17(b)(1); RD Instruction 3570-B, § 3570.61(a)(2); and RD Instruction 3575-A, § 3575.20(c)(3) require non-profit organizations to exhibit significant ties to the local community in order to ensure that the facility financed will carry out a public purpose and continue to primarily serve rural areas. USDA 7 CFR, Part 16, Equal Opportunity for Religious Organization, provides additional guidance.

The regulations cite two examples which would satisfy the community ties requirement: 1) substantial public funding through taxes, revenue bonds, or other local Government sources, and/or substantial voluntary community funding, such as would be obtained through a community-wide funding campaign; and, 2) broadly-based ownership and control by members of the community.

A non-profit organization may also demonstrate significant ties to the local rural community when:

- 1) Its members are primarily from the local rural community,
- 2) Its membership is open to all adults in the local rural community,
- 3) Its members have ultimate control of the proposed community facility; and
- 4) It receives the majority of its funding from its members or their volunteer efforts.

If you have any questions concerning this issue, please contact Chad Parker, at (202) 720-1502.