Using HUD’s Section 108 Loan Guarantee Program
Program Basics

- Provides loan guarantees—not a grant program
- Uses the framework of the CDBG Program
- Must meet eligible activity, national objective and public benefit standards requirements
Three Basic Activities

- Economic Development
- Public Facilities
- Housing Rehabilitation
How Much?

Recipients may borrow up to five times their annual CDBG allocation enabling them to maximize impact of available public funds by leveraging grant resources into loans.
Why Use Section 108 as a Financing Tool?

- Lower rates
- Greater flexibility: Flexible repayment terms to meet project-specific needs and financing to fund a wide range of eligible activities
Why is it a Good Tool for CDBG Grantees?

- Enables recipients to: attract long-term, reasonably-priced private capital when conventional loans are not an option
- Access financing for large-scale projects when available public resources are limited.
Why is it a Good Tool for CDBG Grantees?

- Non-competitive
- Rolling application process
- Helps to conserve limited grant funds for use on non-revenue generating uses (i.e. public services)
How Does HUD Process Your Application?

- Borrower makes application to HUD
- HUD is the Guarantor—not the lender
- HUD looks at eligible activities, national objective, applicable public benefit standards, financial risk
Example Projects: Auburn, AL

Auburn, AL: Moton Apartments

$1.5M in Section 108 Guarantee funds to the Auburn Housing Authority for the rehab of 38 units

Low and Moderate income households
Example Projects: Auburn, AL

Auburn Economic Development Loan Fund & Micro Loan Program

$1.3M in guaranteed funds to small businesses and $220K to micro-borrowers; expected to create 44 full-time equivalent jobs
Example Projects: Palm Beach County, FL

- Business Loan Pool
- $15.1M in total guaranteed 3rd party loans to businesses since 2009
- Loan example: For profit business manufacturing cosmetics—Created 700 jobs, Leveraged $17.2M in additional investment.
Example Projects: LM Limited Clientele

Tulsa, OK: Eugene Field Early Childhood Education Center

$1.6M in Section 108 “take-out” financing to leverage $2.4M for construction of the center
Example Projects: LM Area Benefit

- City of Pasadena, CA: Robinson Park Recreation Center
- $6M in guaranteed loan funds for the
  - Rehab of an existing recreating & gymnasium
  - Multi-purpose turf sports field & recreation center
- Serving a low income population in the area.
More Information?

HUD Exchange: Section 108 Guides, Tools, and Webinars

Underwriting, Community Resilience, Economic Development, and CDBG Training Modules