



# Section 108 Loan Guarantee Program

*Section 108 provides a low-cost source of private capital that communities can use to finance a wide range of community and economic development projects under the framework of HUD's Community Development Block Grant (CDBG) program. Communities often use Section 108 for gap financing for large scale, job-creating projects or to front-end the costs of infrastructure projects in distressed areas. Primarily Section 108 funds are used to benefit low- and moderate-income individuals or distressed neighborhoods.*

## FINANCING - the basics of financing a loan with our program

**Maximum term:** Up to 20 years.

**Repayment:** Principal repayment can be structured to meet the financing needs of the project, such as an interest-only period for construction or lease-up.

**Interest Rates:**

*Interim financing:* Available at any time through HUD's fiscal agent; floating rate is the 90-day London Interbank Offered Rate (LIBOR) plus 20 basis points.

*Permanent financing:* Interest rates are similar to the yields of US Treasury obligations of similar maturity (based on principal repayment schedule), plus a small spread. Available approximately every 2 years when HUD conducts a public offering.

**Loan security:** Applicants must pledge their current & future CDBG funds as well as additional security, which is determined on a case-by-case basis.

**Typical types of loan security:** HUD works closely with each Section 108 applicant to develop a reasonable security approach for each project or loan fund. Common forms of security include liens on real property, corporate and/or personal guarantees, pledges of local tax revenue (including tax increment financing or special taxing districts), assignments of other local revenues, as well as many other assets.

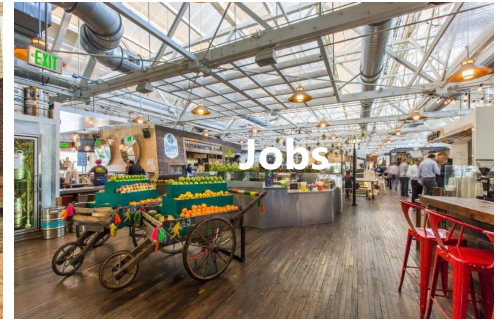
# Frequently Asked Questions



Infrastructure



Housing



Jobs

**Who may apply?** Only CDBG entitlement communities (metropolitan cities and urban counties), States, Insular areas, and communities in Hawaii may apply directly to HUD for funds. Local governments that receive their funds through the State CDBG program can partner with their respective States to apply.

**What entities can carry out activities with funds?** Government or quasi-governmental entities, such as community development finance agencies, can administer and carry out activities themselves; however, non-profits, such as community development finance institutions (CDFI's), can also carry out projects or administer loan funds on behalf of government entities. Most often, though, Section 108 funds are re-lent to for-profit businesses and developers to carry out projects.

**What types of projects may be funded?** Economic development projects, targeted neighborhood or business loan funds (including working capital), single-family and multifamily housing rehabilitation, infrastructure, acquisition, and other activities that meet program requirements.

**How much may be borrowed?** CDBG entitlement communities may borrow up to 5 times their most recent CDBG allocation. For State CDBG program participants, it is 5 times the State's allocation. In both cases the maximum amount is net of any existing Section 108 commitments.

**Is Section 108 awarded on a competitive program?** No; however Section 108 is operated pursuant to a notice of funding availability. Funding is subject to annual appropriations cap on HUD's authority to guarantee. Applications are accepted on a rolling basis.

**How do I get more information?** For additional information, please visit the program's web page <https://www.hudexchange.info/programs/section-108> or email the Section 108 office to discuss your project ([Section108@hud.gov](mailto:Section108@hud.gov)), or reach out to your local HUD office.