

# Health Resources and Services Administration Health Center Facility Loan Guarantee Program

## AN OVERVIEW FOR HEALTH CENTERS

### What is the HRSA Loan Guarantee Program (LGP)?

Originally authorized by Congress in 1997, the HRSA Health Center Facility LGP offers loan guarantees for the construction, renovation and modernization of medical facilities operated by health centers. The guarantee can cover up to 80% of the principal amount of loans made by non-federal lenders. Congress appropriated new funds for the program in 2018, enabling HRSA to update and modernize the program to provide guarantees for almost \$900 million in new loans to health centers.

### How can the LGP benefit my health center?

Many health centers face challenges obtaining affordable loans for their capital projects and/or experience delays in securing loans because of credit or collateral shortfalls. These factors can result in protracted development schedules and higher costs for capital projects. These delays result in reduced access to care for patients and sub-optimal working conditions for health center staff.

A loan guarantee can enhance the health center's credit profile, reducing the lender's risk and allowing them to lend to health centers under more favorable terms than would have been possible otherwise. For some centers, the guarantee might mean the difference between getting a "yes" or a "no" from a lender, while for others, it may allow the lender to offer a lower interest rate, a longer fixed-rate term, or a higher loan-to-value ratio.

### What types of organizations are eligible for the LGP?

Health Center Program awardees are eligible for the LGP. Look-alikes and other types of clinics are not eligible.

### What types of projects are eligible?

The loan guarantee can cover construction, renovation and/or modernization of medical facilities operated by HRSA-funded health centers, such as:

- **Building a new facility** to provide health center services
- **Renovating a facility** for use as administrative offices or a call center
- **Constructing an addition** to an existing facility to provide space for dental services or a wellness center

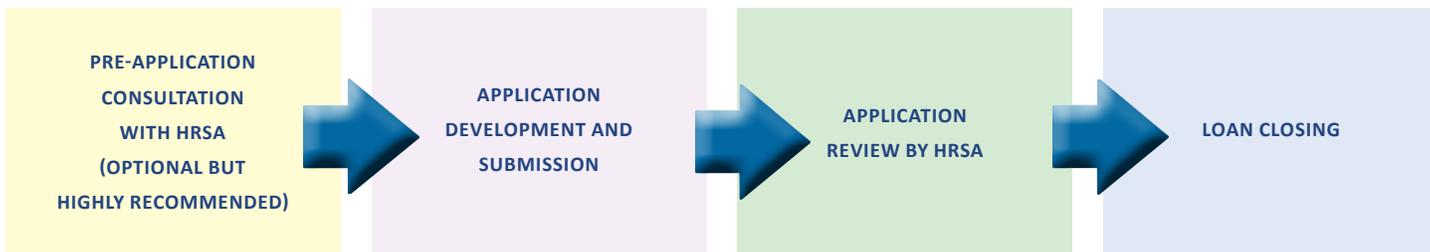
### What are typical costs associated with a project that can be supported through the LGP?

- Land and building purchases
- Renovation and new construction costs
- Equipment and "fit out" costs
- Limited refinancing of existing debt
- Capitalizable pre-development costs
- Financing and consultant fees
- Capitalized interest during construction
- Limited working capital during a start-up phase

While land and equipment purchases are eligible costs, they will be allowed only as part of a construction, renovation, or modernization project. More information related to the LGP requirements and application process can be found here: <https://bphc.hrsa.gov/programopportunities/loan-guarantee-program.html>

## What is the process for applying for a Loan Guarantee?

There are four phases to the LGP application process:



## What is the typical time frame for HRSA to review an LGP request?

Once a complete application package is submitted, including a loan commitment from an eligible lender, HRSA will generally make a determination of approval or disapproval within 60-90 days.

## What types of lenders are eligible to participate in the LGP?

Guarantees are available for loans made by non-federal lenders. In practice, this requirement means that most lenders—with the exception of tax-exempt bond issuing authorities—are eligible lenders under the program. Eligible lenders specifically include federally-insured financial institutions, subject to oversight by federal banking regulators, as well as Community Development Financial Institutions (CDFIs), certified by the U.S. Department of the Treasury.

## What factors should I consider in choosing a lender?

A health center should carefully evaluate its lender options, considering such factors as interest rate, term, amortization, covenants and other requirements. Other important considerations include the quality of the working relationship, the reputation of the lender, its experience with the LGP and the availability of New Markets Tax Credits, if applicable.

## Can the LGP be utilized in conjunction with other federal loan programs, such as the New Markets Tax Credit Program?

Yes, the LGP may be used in conjunction with New Markets Tax Credits, although it may not be used in conjunction with tax-exempt bonds.

## Does HRSA charge a fee for the guarantee?

HRSA does not currently charge a fee for the LGP.

## Is there available technical assistance to help guide my center through the application process?

Capital Link, HRSA's National Cooperative Agreement (NCA) partner, can provide a range of technical assistance to health centers from early-stage project planning, to developing a business plan and financial projections, identifying and negotiating with lenders, and structuring New Markets Tax Credit transactions in conjunction with the LGP.

For assistance, contact Jonathan Chapman, Director of Health Center Advisory Services, Capital Link at: [jchapman@caplink.org](mailto:jchapman@caplink.org). For more information, visit <http://caplink.org/services/finance/hrsa-loan-guarantee-program>.

This resource was supported by the Health Resources and Services Administration (HRSA) of the U.S. Department of Health and Human Services (HHS) under cooperative agreement number U30CS09741, Training and Technical Assistance National Cooperative Agreement (NCA) for \$1.275 million with 0% of the total NCA project financed with non-federal sources. This information or content and conclusions are those of the author and should not be construed as the official position or policy of, nor should any endorsements be inferred by HRSA, HHS, or the U.S. Government.