

Health Resources and Services Administration Health Center Facility Loan Guarantee Program

AN OVERVIEW FOR LENDERS

What is the HRSA Health Center Facility Loan Guarantee Program (LGP)?

Originally authorized by Congress in 1997, the HRSA 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 LGP to provide guarantees for almost \$900 million in loans to health centers.

What types of health centers are eligible for the LGP?

Health Center Program awardees are eligible for the LGP. Look-alikes and other types of clinics are not eligible. Information on health centers is available here: <https://bphc.hrsa.gov/about/what-is-a-health-center/index.html>

What types of lenders can 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.

How does the LGP benefit lenders?

The purpose of the HRSA LGP is to enhance the health center’s credit profile, reducing the lender’s risk to allow the lender to provide a loan under more favorable terms than would have been possible otherwise.

Benefits to the lender include:

Strengthened local profile by providing a loan to an important community business.

Ability to participate up to 80% of the guaranteed loan to other lenders, increasing the originating lender’s return on investment.

Reduces loan recovery risks not covered by collateral by providing 80% federal guarantee.

Lenders use their own forms, loan documents, and security instruments.

Reduced capitalization requirements as a result of lower risk rating on guaranteed portion.

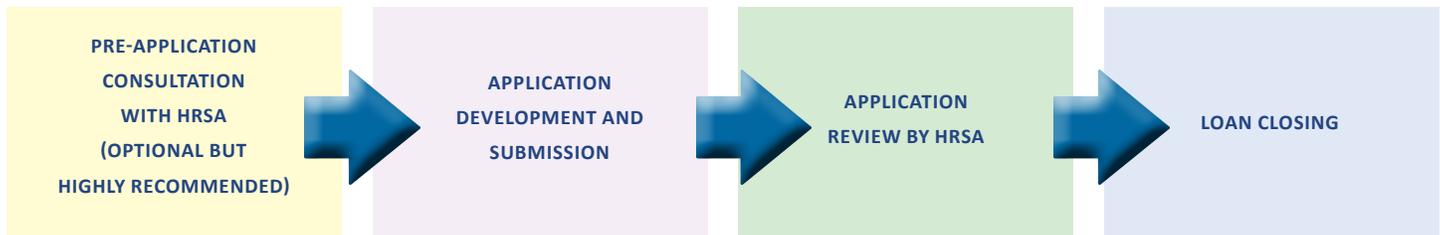
Flexible loan amounts, with no maximum loan limit; amount is determined based upon project feasibility, repayment ability and reasonable project costs.

Guaranteed loans are eligible to meet Community Reinvestment Act requirements of commercial banks and savings and loan institutions.

Flexible rates and terms are negotiated between the lender and the borrower.

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 a 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.

How is the guarantee structured and what are its terms and conditions?

Summary Terms and Conditions of HRSA Loan Guarantee and a Form of Guarantee will be available at <https://bphc.hrsa.gov/programopportunities/loan-guarantee-program.html>.

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 the New Markets Tax Credit Program. It may not be used in conjunction with tax-exempt bonds.

What technical assistance resources are available to help me or my prospective borrower through the application process?

HRSA has designated a Lender Coordinator to act as a resource for lenders considering participating in the program. Questions should be routed through HRSA via LGP inbox: LGProgram@hrsa.gov. Lender Coordinator connection is arranged by HRSA referral.

Capital Link, HRSA's National Cooperative Agreement (NCA) partner, can provide a range of technical assistance to health centers applying to the LGP. Assistance ranges from early-stage project planning, to developing a business plan and financial projections, to identifying and negotiating with lenders, and structuring New Markets Tax Credit transactions in conjunction with the LGP. More information related to the LGP requirements and application process can be found here: <http://caplink.org/services/finance/hrsa-loan-guarantee-program>. Contact Jonathan Chapman, Director of Health Center Advisory Services, Capital Link at: jchapman@caplink.org.

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What types of projects are eligible?

Eligible projects can consist of the construction, renovation, and modernization of medical facilities operated by health centers. Examples of eligible projects include, but are not limited to:

- **Building a new facility** to provide the full scope of health center services
- **Renovating a facility** for administrative offices or a call center
- **Constructing an addition** to an existing facility to provide space for 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. For more information, visit <https://bphc.hrsa.gov/programopportunities/loan-guarantee-program.html>