

Overview of the HUD Section 108 Loan Guarantee Process and Typical Associated Timelines

The Section 108 loan guarantee process is a two-part process, including an application phase and a funding phase.

Application Phase: An eligible Community¹ develops and submits an application for a project (or a loan fund), and the local HUD field office and Section 108 Office at HUD Headquarters concurrently review the application and make a recommendation to the Deputy Assistant Secretary for Grant Programs.

Funding Phase: The Community (or its designated public entity²) and the Section 108 Office, as well as its Program Counsel, prepare the financing documents necessary to for the project (or the first project under a loan fund) to be guaranteed by HUD. HUD also reviews any documents that are relevant to its security interest in the guaranteed loan at this time. The Community then submits its signed loan documents and its first request for funds to be advanced. Once HUD signs the loan documents and attaches its guarantee, it sends these documents to its Fiscal Agent, which arranges for the advanced funds to be wired to the Community. From this point forward, the Community can begin to access funds on a weekly basis for the project and will start reporting in HUD's Integrated Disbursement and Information System (IDIS).

Please note that the estimated processing times noted in this document are relatively conservative and are based on recent transactions in fiscal years; however, they account for applications and loan documents that are submitted without significant information gaps or issues. For any complex financial transactions, especially for projects involving New Market Tax Credits, Communities should allow additional time for application review as well as financing document development. HUD encourages Communities to provide HUD with draft applications and to request expedited development of financing documents when shorter timelines are required for approval and loan closing.

¹ Communities eligible to apply for Section 108 guaranteed financing are grantees that receive funding through the Community Development Block Grant Program, either directly or through their State.

² Designated public entity is public agency designated by a public entity to issue debt obligations, such as a redevelopment, economic development, or housing authority.

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Application

Pre-submission

The Community must complete pre-submission and citizen participation requirements (detailed in 24 CFR 570.704) before applying to HUD. **Timeline depends on Community; typically a 30-day public notice period required.**

Application Submission

The Community submits an application to FMD (section108@hud.gov) and their local field office for **concurrent** review.

HUD Review

HUD reviews application and communicates with applicant as to any outstanding issues. This process may take additional time depending on the programmatic and financial issues presented by the application. **Estimated time: 20 - 25 days.**

HUD Approval

FMD recommends approval to the Deputy Assistant Secretary for Grant Programs. If approved, HUD issues a commitment for a loan guarantee. **Estimated time: 15 - 20 days.**

Development of Financing documents

HUD develops and transmits draft loan documents, using form documents with specific language added for collateral and other unique conditions, if applicable. **Estimated time: 30 - 45 days after requested by Community.**

Revision of Financing Documents

HUD and its counsel work with the Community and its counsel to revise loan documents as necessary. **Estimated time: 15 - 30 days.**

Guaranteed Loan Closing

The Community submits signed loan documents to FMD as well as draft documents related to the community's pledged collateral. **Timeline depends on Community, but HUD must receive documents at least 10-days prior to date when Community needs advanced funds.**

Community Advances Funds

The community may advance all funds in a single advance, or it can make multiple advances on a weekly basis. **Estimated time: 7 days for subsequent advances.**

Funding