

Section 108 APPLICATION TOOL ¹

This tool lists the general elements that states and local governments seeking to apply for Section 108 loan guarantee assistance should include in an application to HUD.

For applications for specific project(s), ONLY use Section I and II. For loan fund applications, ONLY use Section I and III.

SECTION I: ALL APPLICATIONS

___ **Discussion of the proposed activities in the context of the Applicant's community development objectives as included in its HUD Consolidated Plan**

___ **Requested Amount of Section 108 Assistance (in increments of \$1,000)**

- If the Section 108 financing fee (the fee that HUD charges for loan disbursements under Section 108 loan guarantee commitments) is going to be paid for with Section 108 loan proceeds, please include that amount in the overall request. (The fee is announced through a Federal Register notice posted on program website each fiscal year.)
- This amount must be equal to or lower than the local government's or state's available borrowing capacity under the program. (Current availability is noted [here](#))

___ **Specific Section 108 Certifications and Other CDBG Certifications to accompany an application (comparable to what the public entity already uses for CDBG Program)**

- *Entitlement Public Entities:* HUD has a form that Entitlement Public Entities can use to meet these requirements: [Certifications to Accompany HUD Section 108 Loan Guarantee Program Applications for Entitlement Public Entities](#)
- *States and Non-entitlement Public Entities:* HUD can provide specific guidance for these applicants as to any certifications or other forms needed to accompany their applications; however, the requirements for these entities are minimal.

¹ Updated on 2/11/2020. This tool is explanatory in nature and neither replaces nor supersedes any requirements at 24 CFR Subpart M (570.700-712).

SECTION II: PROJECT(S)-SPECIFIC APPLICATIONS

Project Information

- Detailed description of project(s) to be financed with the Section 108 guaranteed loan with any relevant information to support the project need
 - If part of a larger development or local initiative/plan, include a discussion of the overall initiative/plan
- Estimated timeline for project(s)
 - If applicable, project construction schedule
 - If applicable, necessary timeline for HUD guaranteed financing and/or expected closing date of local loan
 - Information on when environmental review process will occur, or, if begun, current stage of process

Form of Assistance

- If applicable, how assistance will be provided by Applicant/its DPA to a third party (e.g. loan, grant, guarantee)
 - Example: if assistance will be provided through a loan, please provide information on the local loan terms
- If the activity involves using Section 108 within a New Markets Tax Credit structure, please provide a flow chart illustrating the flow of Section 108 funds.

Information on Organizational Arrangements

- Identify entity or entities carrying out the project or project components
 - Describe type of entities are involved: unit of general local government, designated public agency (DPA), non-profit subrecipient administering project on Applicant's behalf, or third party developer or business
- Basic information on experience or capacity of parties involved to carry out this type of activity
- If multiple parties will own/lease the property during development, identify when and how ownership/leases will be transferred.
 - Example: a project involves two phases, local government acquires land and makes site improvements (both eligible under [24 CFR 570.203](#)) before it sells land to for-profit developer for mixed-income housing.

Information for Financial Underwriting

- Sources and uses statement (for the entire project)
 - Should cover total project development cost
 - Identify the specific uses of Section 108 funds
 - Section 108 financing fee should be accounted for as a use of funds
- Information on other proposed and committed sources of project financing
- Information on estimated revenue and operating expenses
 - For a real estate project, a pro forma
 - For a business loan, financial statements and pro forma cash flow analysis
- Identification of repayment source(s) for Section 108 loan (e.g., project revenue, grant funds, other source)
- Proposed Section 108 principal-only repayment schedule (Max of 20 years; each year in \$1000 increments)
- Proposed collateral for the Section 108 guaranteed financing (in addition to pledged CDBG funds)

Information for Program Requirements *[Please note that HUD can assist in identification of this information.]*

- Eligible Section 108 activity categories and associated citations to [24 CFR 570.703](#) for components of that project
- Description of CDBG national objective(s) that the project(s)/project components will meet and associated citations to [24 CFR 570.208](#)
 - Components can meet different national objectives or different criteria for the same national objective
 - Example: mixed-use redevelopment with 108 funds going into both commercial and residential components can benefit low- and moderate-income (LMI) persons through both jobs (commercial) and housing (residential)
- Supporting documentation demonstrating how national objectives will be met
 - Example: For LMI area benefit ([24 CFR 570.208\(a\)\(1\)](#)), please provide maps and census information or survey data on proposed area.
- If applicable (if project includes a special economic development activity under [24 CFR 570.203](#)), how the activity meets the individual public benefit standard (See [24 CFR 570.209\(b\)\(3\)-\(4\)](#))

SECTION III: LOAN FUND APPLICATIONS

Description of Loan Fund

- Description of relevant market analysis, initiative, or pipeline of projects that is driving application for a loan fund
- Types of entities eligible to receive loans (for profits, non-profits, governmental entities)
 - For example, if the application is for an infrastructure loan fund, will the local government also use some of the funds for its own projects or will loans be limited to making loans to non-profit subrecipients or other public entities for infrastructure or public facility projects?
- If applicable, geographic or types of activities that loan funds will target
 - Examples of project types: Transit-oriented development; neighborhood revitalization; economic development; small businesses
 - Examples of geographic areas: specific neighborhoods; Choice or Promise Zone neighborhoods; Opportunity Zones; Neighborhood Revitalization Strategy Areas (See [CPD Notice 16-16](#).)

Loan Portfolio Information

- Maximum and minimum loan amounts
- Loan terms (Note: Individual loan terms cannot exceed 20 years)
- Interest rates and other proposed costs that will be charged to borrowers
 - Keep in mind that interest rates must be equal or higher (i.e. interest rate can include a spread) than the interest that will be charged on Section 108 loans, if the loan will be serving as repayment source/security on Section 108 loan.
 - The Applicant, DPA, or non-profit subrecipients can charge fees to cover application costs, closing costs, and other costs

Underwriting Process Information/Organizational Arrangements

- Description of underwriting process borrower will use to evaluate loan applications
 - Will there be an internal loan review committee or a contractor with underwriting expertise?
 - Optional: please check out HUD's guidance on underwriting real estate projects [here](#)
- Description of how the applicant will service and monitor the loans for compliance long-term
 - Will it use another entity to service or monitor the loans?

Underwriting Criteria

- Description of underwriting criteria to be used when evaluating projects for assistance
 - Any relevant standards (e.g., loan-to-value and debt service coverage ratios)
- Proposed sources of collateral (in addition to CDBG funds) that will be used to secure loans

Information for Program Requirements *[Please note that HUD can assist in identification of this information.]*

- Identify potential eligible activities and national objectives under the loan fund and relevant regulatory citations at [24 CFR 570.703](#) and [24 CFR 570.203](#)
 - Note: Applicants may select multiple eligible activities and national objectives but should limit selection to those relevant to the types of projects the loans will be targeting
- For 'special economic development activities' as defined at ([24 CFR 570.703\(i\)](#)):
 - Discuss how criteria will address public benefit standard requirements for any special economic development activities (individual activity and aggregate standards) (See [24 CFR 570.209](#).)
 - Provide information to document that all underwriting criteria align with the guidelines in [Appendix A to 24 CFR Part 570](#) will be met