

*Section 108 is the loan guarantee provision of HUD's Community Development Block Grant (CDBG) program. It enables local governments to leverage their CDBG funds in order to pursue economic development projects, housing rehabilitation programs.*

## SECTION 108 Q AND A

**Who may apply?** – CDBG entitlement communities may apply directly to HUD. Local governments that receive their funds through the State CDBG program must obtain a pledge of the State's CDBG funds before applying.

**What types of projects may be funded?** – Economic development and housing rehabilitation activities eligible under CDBG, public facilities including infrastructure, real property acquisition, and various costs related to these activities.

**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 a competitive program?** – Section 108 is not competitive or operated pursuant to a notice of funding availability. Applications may be submitted at any time.

## WANT TO KNOW MORE ABOUT SECTION 108?

For additional information regarding the Section 108 program, please contact:

Financial Management Division  
Room 7178  
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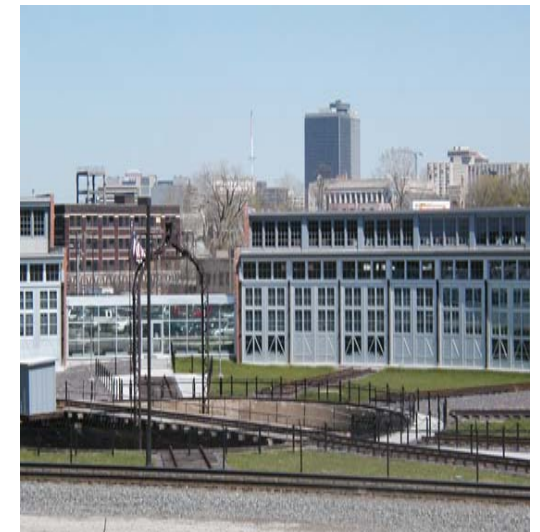
Additional information is also available via HUD's web page at:

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/108/index.cfm>.

This web page includes links to the CDBG program, Section 108 project profiles, detailed program fact sheet, regulations governing the Section 108 program, and other related, useful information about HUD programs.

## HUD'S SECTION 108 LOAN GUARANTEE PROGRAM

### FINANCING COMMUNITY AND ECONOMIC DEVELOPMENT



Kansas City, MO - \$7,100,000

As part of its Enhanced Enterprise Community program, Kansas City provided funding to the Hispanic Economic Development Corp. and DST Realty, Inc. to rehabilitate a former railroad roundhouse into a state of the art printing facility that will create at least 375 jobs. The project, now known as the Westside Business Park, leveraged over \$38 million in public and private financing.

## SECTION 108 AT WORK

Seattle, WA - \$15,000,000

Seattle is using Section 108 funds to create a loan pool targeted toward redevelopment of brownfield sites and buildings damaged by the February 2001, earthquake. The **Buttnick Building** project projected to create 81 full time jobs.



San Diego, CA – \$2,700,000

San Diego financed the purchase and renovation of a downtown Days Inn motel into a Transitional Housing Facility. The shelter opened in January, 2003 and will accommodate 150 homeless persons for 60- to 90-day transitional periods.



## SECTION 108 FINANCING – THE BASICS

**Maximum term** – Section 108 loans may be for terms up to 20 years.

**Interim financing** – Interim financing is intended to be short term financing and the floating interim rate is based upon the 90 day London Interbank Offered Rate (LIBOR) plus 20 basis points. Interim financing is available at any time.

**Permanent financing** – Approximately every 12 months HUD conducts a public offering of Section 108 loans. Interest rates on the permanent placement is based on yields of US Treasury obligations of similar maturity to the principal repayment schedule plus a small spread based on market conditions.

**Loan security** - By statute, local government borrowers must pledge their CDBG funds as partial security for a Section 108 loan. Further, additional security (usually project-based) is also required to assure repayment and is determined on a case-by-case basis.

**Types of loan security** – HUD works closely with each Section 108 borrower to develop a reasonable security approach for each loan commitment. Common forms of security include liens on real and personal property, corporate and/or personal guarantees, pledges of local tax revenue, assignments of locally held loan portfolios, as well as many other assets.

**The Guarantee** – Investors who purchase Section 108 obligations receive a full faith and credit guarantee of the United States on their investment.

## MORE 108 AT WORK

Boston, MA - \$900,000

Boston provided Section 108 and CDBG funds to a subrecipient to develop an 80,000 sq.ft. industrial building as a home for Spire, a graphics and web-site design and digital printing business. The project created and retained a total of 120 jobs.



Philadelphia, PA - \$18,000,000

HUD awarded Philadelphia designation as a homeownership zone and provided Section 108 and EDI funding to pursue new housing development in inner city areas. The city is well on the way to creating 300 new housing units.

