

2017 SUPPORTING STATEMENT  
7 CFR Part 1942, Subpart A - “Community Facility Loans”  
OMB No. 0575-0015

A. Justification

1. Explain the circumstances that make the collection of information necessary.

The Rural Housing Service (RHS) is a credit agency within the Rural Development mission area of the United States Department of Agriculture. The Community Programs Division of the RHS administers the Community Facilities program under 7 CFR Part 1942, Subpart A. The Rural Utilities Service (RUS) no longer uses the 1942-A regulation. The burden for RUS is covered under OMB No. 0572-0121.

Rural Development provides loan and grant funds through the Community Facilities program to finance many types of projects varying in size and complexity, from large general hospitals to small fire trucks. The facilities financed are designed to promote the development of rural communities by providing the infrastructure necessary to attract residents and rural jobs.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the Agency has made of the information received from the current collection.

The information will be collected by Rural Development field offices from applicants/borrowers and consultants. This information is used to determine applicant/borrower eligibility, project feasibility, and to ensure borrowers operate on a sound basis and use loan and grant funds for authorized purposes.

**REPORTING REQUIREMENTS – FORMS APPROVED IN THIS DOCKET**

**Form RD 442-7, “Operating Budget”**

The form is used by all applicants to project income and expense items and a complete cash flow through the first full year of operation after use of the loan proceeds. These projects are necessary in determining the source and reliability of the projected income and the adequacy of resources to repay the loan in a timely manner, operate and maintain the facility and maintain adequate reserves.

**Form RD 442-3, “Balance Sheet”**

This form is used by all applicants and borrowers to present their assets, liabilities, and net worth. It may be used by borrowers at year-end whose gross annual income is less than \$100,000 and is necessary for all applicants. This form is prepared by the applicant and presents the balance sheet items of the most current year as compared to the prior year.

**Form RD 1942-19, “Agreement for Engineering Services”**

The form may be used between the applicant, its engineer and Rural Development for providing financial assistance. The form contains the necessary services to be provided by the engineer.

**Form RD 1942-8, “Resolution of Members or Stockholders”**

This form is prepared by the nonprofit applicant to indicate that the governing body has the authority to enter into a loan of a particular amount with Rural Development.

**Form RD 1942-46, “Letter of Intent to Meet Conditions”**

The applicant completes this form to indicate the intent to meet the conditions of the loan previously established by Rural Development. This information is necessary in order to determine whether the Agency should continue further processing of the loan application.

**Form RD 442-20, “Right-of-Way Easement”**

**Form RD 442-21, “Right-of-Way Certificate”**

**Form RD 442-22, “Opinion of Counsel Relative to Rights-of-Way”**

These three forms may be used by the applicant and their attorney in obtaining continuous and adequate rights-of-way and interest in land needed for the construction, operation, and maintenance of the facility.

**Form RD 1942-47, “Loan Resolution (Public Bodies)”**

This form is used for public bodies (applicant) and sets forth the agreement between the applicant and Rural Development for providing financial assistance. The form contains the necessary covenants to be complied with as long as the loan is outstanding.

**Form RD 1942-9, “Loan Resolution Security Agreement”**

This form is used by non-public organizations (applicant) and sets forth the agreement between the applicant and Rural Development for providing financial assistance. Among other items, it establishes the rates and terms of the loan, certain accounts which are to be established and other compliance items so long as the loan is outstanding.

**Form RD 440-11, “Estimate of Funds Needed for 30-Day Period Commencing”**

This form is a request used by the applicant to indicate the amount of funds required in construction projects for a 30-day period. It is concurred in by Rural Development as to the reasonableness of the amount.

**Form RD 440-22, “Promissory Note”**

This document is executed by the borrower as evidence of its indebtedness to Rural Development.

**Form RD 442-2, “Statement of Budget, Income, and Equity”**

This form serves the dual purpose of a budget and an income and expense statement. For new borrowers, it is generally required each quarter for the first 3 years in order to monitor financial progress in the early years of operation. The report is then discontinued for those who are progressing satisfactorily. As a budget form, borrowers are to submit their budget estimates prior to the beginning of each fiscal year. In these cases only, column three is to be completed. Borrowers, at their option, as a year-end income and expense statement may also use this form when audited financial statements are not prepared.

**Form RD 442-28, “Bond Registration Book”**

This form may be used as a guide to assist borrowers in the preparation of a bond registration book in those cases where a registration book is necessary and is not provided in connection with the printing of the bonds.

**Form RD 440-24, “Position Fidelity Schedule Bond Declarations”**

This form may be used by organizations (where permitted by state law) to provide fidelity bond coverage for certain officials entrusted with funds.

**RD 1942-55 “Re-lender’s Agreement”**

This agreement is necessary to insure the re-lender is informed about its responsibilities and agrees to comply. The agreement covers among other things the following information: loan terms; disbursement procedures; responsibilities related to compliance with 7 CFR 1942, Subpart A with respect to eligible applicants and projects, Civil Rights, environmental, security, planning, bidding, contracting, construction and servicing; collateral, insurance and reporting requirements; and default provisions. This form was added in the merge of OMB No. 0575-0199.

**RD 1942-56 “Promissory Note”**

This document is executed by the re-lender as evidence of its indebtedness to Rural Development. This form was added in the merge of OMB No. 0575-0199.

**RD 1942-57 “Loan Resolution Security Agreement (“Security Agreement)”**

This document is executed by the re-lender to attest to its legal authority as an organization to enter into the specific loan transaction, and provides for the pledging of certain assets to secure Rural Development’s loan to the re-lender. This form was added in the merge of OMB No. 0575-0199.

**RD 400-1, “Equal Opportunity Agreement”** Form is completed by the borrower when construction work is subject to the provisions of the Civil Rights compliance requirements that contractors cannot discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.

**RD 400-4, “Assurance Agreement”** The form is completed by the borrower and used to confirm that recipients of Rural Development loans and grant assistance have been reminded of their obligation to comply with all provisions of the Civil Rights Act of 1964 and regulations of Rural Development.

**AD-1047, “Certification Regarding Debarment, Suspension & Other Responsibility Matters-Primary Covered Transactions**

USDA regulations published at 7 CFR Part 3017 implement the government-wide debarment and suspension system for USDA’s non procurement transactions. Applicants and re-lenders are required to provide certification under these regulations. This form was added in the merge of OMB No. 0575-0199.

**RD 1927-9, “Preliminary Title Opinion”** The form may be used by the applicant's attorney to furnish a preliminary title opinion for facility being purchased with CF funds.

**RD 1927-10, “Final Title Opinion”** The form may be used by the applicant's attorney to furnish the required final title opinion on the facility being purchased with CF funds.

**RD 1924-18, “Partial Payment Estimate”** The form is used by the contractor to request partial payments on construction work completed to show estimate of payments needed for construction costs.

**RD 1924-7, “Contract Change Order”** The form is used by the contractor, the borrower, or engineer/architect to request changes to the project.

**RD 402-1 “Deposit Agreement”**

This document is executed by the re-lender’s depository institution, the re-lender and Rural Development in order to perfect the security interest of the Agency in bank accounts that contain Agency loan funds. This form was added in the merge of OMB No. 0575-0199.

**AD 3030, “Representations Regarding Felony Convictions and Tax Delinquency Status for Corporate Applicants” and AD 3031, “Assurances Regarding Felony Convictions and Tax Delinquency Status for Corporate Applicants” (OMB Control No. 0505-0025)**

Completed by the re-lender once at the time of application. This form was added in the merge of OMB No. 0575-0199.

**REPORTING REQUIREMENTS – NO FORMS**

**Application to Obtain Additional Funding**

Borrowers whose loans were sold to the Trust and wish additional assistance under this program use this application. Concurrence by the master servicer is required by the previous loan conditions. This application provides the master servicer with the needed information and serves as the request for concurrence.

### **Statement on Ability to Obtain Credit Elsewhere**

Applicants must certify in writing that they are unable to finance the proposed project from their own resources or through commercial sources at reasonable rates and terms. The Consolidated Farm and Rural Development Act, as amended through the Federal Agriculture Improvement and Reform Act of 1996, requires the credit elsewhere statement.

### **Notification of Declination of Service**

Applicants that are to provide utility-type service shall notify all persons living in the service area of the availability of such services. When persons wish to decline use of this service and user agreements are used, it is necessary to afford these persons the opportunity to decline the service by signing this declination statement.

### **Liens on Real and Chattel Property**

A lien on real and chattel property with an assignment of income will be taken on essential community facilities other than utility-type projects. A lien is a method of encumbering the property of a borrower and is necessary to protect the interest of the Government.

### **Financing Statement**

A financing statement is necessary to perfect a lien on assured income to be generated by the facility for the life of the loan. A lien is a method of encumbering sources of assured income and is necessary to protect the interest of the Government.

### **Public Information**

The applicant is required to conduct a public information meeting to allow public input into the proposed project when an election by the membership or public referendum is not required. Minutes of this meeting serve as documentation of this meeting.

### **Preliminary Architectural or Engineering Report**

Applicants are requested to submit a preliminary architectural or engineering report prepared by a qualified architect or engineer indicating areas to be served, scope and need of the project, cost estimate, annual operating expenses, etc. This report is necessary for Rural Development to determine project feasibility.

### **Agreement for Professional Services**

When the services of a professional representative such as an engineer, architect, attorney, bond counsel, accountant, auditor, appraiser, or financial advisor are needed for the proper planning and development of a facility, contracts between the applicant and their professional representatives are required and are subject to Rural Development concurrence. This is necessary to ensure the needed services will be available at reasonable cost.

### **Positive Programs to Encourage Connections**

Applicants for utility-type projects, where all or part of the debt repayment will come from user fees, must provide evidence or documentation to Rural Development that a positive program to encourage connections by all users, as soon as service is made available, has been provided.

### **Interim Financing**

When funds can be borrowed at reasonable rates on an interim basis from commercial sources for the construction period, such interim financing must be obtained to preclude the necessity for multiple advances of Rural Development funds. The applicant must provide the name of the proposed interim lender so Rural Development can inform the lender of Rural Development's commitment. The Rural Development loan will then be used to retire the interim indebtedness. Before the Rural Development loan is closed, the applicant must provide statements from the contractor, engineer, architect, and attorney that they have been paid to date in accordance with their contracts. This is necessary to protect the Government from mechanic's liens and ensure the Rural Development funds are used for authorized purposes.

### **Property Insurance**

#### **Liability and Property Damage Insurance**

#### **Flood Insurance**

#### **Worker's Compensation Insurance**

These forms of insurance are normal in any organization and Rural Development requires them to be available at the time of loan closing or start of construction, whichever occurs first. However, these insurance requirements will not normally exceed those proposed by the borrower.

### **Evidence of Disbursement of Other Funds**

When funds from other sources are planned to complete projects being partially funded by Rural Development, applicants must present evidence of the commitment of those funds. This is needed to ensure the necessary funds are available to complete the project.

### **Acquisition of Land, Easements, Water Rights, and Existing Facilities**

Applicants are responsible for acquiring all property rights necessary for the project and determine that prices are reasonable and fair.

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### **Appraisal Report**

In some instances, applicants are requested to provide an appraisal report prepared by an independent qualified appraiser on properties presently owned or to be purchased that will be taken by Rural Development as security for a loan. This is necessary in order to determine present market value of the property.

### **Lease/Management Agreement**

When the facility to be financed is to be leased or managed by other parties, the applicant must furnish copies of the proposed agreements for Rural Development's approval. However, the applicant is responsible for operating, maintaining, and managing the facility even though these functions are performed by a third party under contract, management, or written lease.

### **Notes, Bonds, Warrants, or Other Contractual Obligations**

These are various debt instruments pledged by the applicant to evidence issuance of debt as security for the loan. All Rural Development loans will be secured by the best security position practicable in a manner which will adequately protect the interest of the Government during the repayment period of the loan.

### **Construction Contract Forms**

Contracts for construction to be paid for with Rural Development funds must be submitted to Rural Development for review and concurrence. It is important to ensure that such contracts are adequate to protect the interests of both the borrower and Rural Development.

### **Certification by Borrower's Attorney**

The attorney of the borrower is to certify in writing that all legal requirements of loan closing have been met. This is necessary in order to have assurance that the proper legal matters required of the borrower have been satisfied before proceeding with the closing of the loan.

### **Contracts Awarded Prior to Application**

When applicants have awarded construction contracts prior to the submission of their application, documentation is required to ensure that the contract was awarded in a manner to meet procurement regulations. This is needed to ensure the applicant has not circumvented the regulations and is in compliance.

### **Resident Inspector Resume**

The resident inspector for a construction project is required to submit a resume so that a determination can be made that the inspector is qualified to perform the duties.

### **Daily Inspection Report**

The construction inspector for a construction project is required to maintain a daily log of progress, problems, and any other items which may affect construction. This is needed to provide information to serve as a basis for decisions for payment, change orders, or other actions.

### **Evidence That Facility Cannot be Provided by a Public Body**

Non-public body applicants will provide statements documenting efforts to persuade an existing public body to provide the intended services.

### **Financial Feasibility Report**

All applicants are expected to submit a financial feasibility report prepared by a qualified firm or individual which fully discloses and analyzes all significant factors which will likely have a favorable or adverse effect on the financial success of the facility. A copy of the preliminary engineering/architectural report should be made a part of this report.

### **Organizational Documents**

Applicants are to provide documentation they they are legally organized and have the authority to borrow funds, construct, operate, management the facility, etc. This requirement is necessary in order to know that such organization does legally exist and is authorized to perform certain functions.

### **Borrower Request to Choose Interest Rate**

The applicant may request the lower of either the interest rate at loan obligation or at closing. The interest rate at obligation is automatically used unless a written request is made.

### **Five-Year Financial History**

Applicants using their successful operating history as a basis for their ability to operate the proposed facility are requested to submit financial information for the previous 5 years for analysis and documentation. This enables the Agency to reasonably determine that the facility will succeed financially.

### **Exceptional Community Support and Documentation**

When applicants, other than utility types, cannot meet certain security requirements, evidence or demonstration of exceptional community support may be considered. These may be such factors as financial contributions and aggressive leadership in formation of the organization and the proposed project which indicates commitment of the community.

### **Other Security**

Other than public-body applicants can pledge or assign as security mortgages or other security instruments encumbering the private properties of the members. They can be taken as additional security in cases where Rural Development's interest will not otherwise be adequately protected. Unless the loan approval official determines that the interest of Rural Development otherwise is secured adequately, a lien will be taken on the interest of the applicant in all land, easements, rights-of-way, water rights, water purchase contracts, sewage treatment contracts, and similar property rights, including leasehold interests, used, or to be used, in connection with the facility whether owned at the time the loan is approved or acquired with loan funds.

### **Malpractice Insurance**

This type of insurance is only considered for health care facilities and when determined necessary in order to provide protection from malpractice claims.



### **Land Purchase Contract**

When the applicant wishes to develop on a parcel of land that is not owned but being purchased under a contract for deed, the contract is needed by the Agency to ensure interests of the Government and the applicant are protected.

### **Certificate of Need**

Applicants for health care facilities are required to provide a statement from the appropriate State agency that the proposed health care facility is not inconsistent with the State Medical Facilities Plan. This is needed to coordinate Rural Development assistance with other agencies and to ensure Rural Development is not a party to unneeded duplication of facilities that increase the cost of medical care.

### **Certification of Appropriate Regulatory Agencies**

Each applicant must provide comments, certifications, and recommendations of any appropriate regulatory or other agency having expertise in the planning, operation, management of similar facilities. This is needed to ensure that facilities financed by Rural Development are coordinated with appropriate Federal, State, and local agencies and comply with applicable Federal, State, and local regulations.

### **Positive Action Plan**

Borrowers who are delinquent on Rural Development payments or have other financial problems are required to prepare a positive action plan to resolve the financial problems. The plan is reviewed with Rural Development and updated quarterly. The plan helps borrowers resolve financial problems and what is being done about them.

### **Audits**

Annual audits are required from all borrowers with gross incomes over \$100,000. The audits help Rural Development determine if the operations are sound and the intended services are being provided to the public. Often Rural Development can use the audits to predict developing financial problems and suggest corrective steps before the problems become serious.

### **Financial Statements for Borrowers With Less Than \$100,000 Gross Income**

Borrowers who do not have an annual audit are required to submit annual financial statements including a verification of the balance sheet and statement of income and expenses by an official of the organization.

### **Utilization of Small Business and Minority-owned Business**

Borrowers for construction projects are required to make efforts to utilize small and minority-owned business sources in the construction and to submit a statement or other evidence of their efforts. This helps to ensure that such businesses have the opportunity to participate in Rural Development-financed construction.

### **Procurement When Other Than Bid or Negotiation Is Used**

If an applicant wishes to use a method of procurement of construction services other than bid or negotiation, the applicant is required to make the request in writing along with the reasons for using another method.

### **Unconventional Contracting Methods**

If an applicant wishes to use construction management methods of contracting for construction services, the applicant and the proposed provider are required to submit documentation regarding the procurement and qualifications of the provider.

### **State Clearinghouse Review**

This is an OMB Circular A-95 requirement. Applicants are requested to obtain written comments from their State and/or regional clearinghouses as to whether the proposed project will be consistent and will not conflict with plans, goals, or objectives of the State or region in which the proposed project will be located.

### **Approval of Audit**

The applicant is required to submit for approval documentation of its accounting and financial reporting system. This is needed to ensure that adequate documentation is maintained for financial analysis.

### **Governing Body Members and Terms of Office**

Borrowers are required to submit a list, annually, of the names and addresses of all members of the governing body including their terms of office. Rural Development needs this information to help ensure the organization is being maintained and to know who to contact about loan matters.

### **Documentation of Legal Powers**

Only re-lenders with legal authority to make and service loans involving community infrastructure and development will be eligible. Documentation may come in the form of a legal opinion or a copy of the re-lenders organizational documents. This non-form was added in the merge of OMB No. 0575-0199.

### **Certification of compliance with federal, state and local requirements**

Re-lenders responsible for administering a loan fund need to understand and be in compliance with laws impacting their operations and the operations of the clients they serve. Examples include local building requirements, state laws regarding certificates of need for health care facilities, Equal Credit Opportunity Act, and environmental compliance. This non-form was added in the merge of OMB No. 0575-0199.

### **Documentation of Serving Persistent Poverty County(ies) or High Poverty Areas**

Re-lenders are required to provide documentation of their current portfolio or experience providing loans in Persistent Poverty County(ies) or High Poverty Area(s) to determine eligibility and priority. This documentation is also used in the evaluation factors and

does not need to be duplicated. This non-form was added in the merge of OMB No. 0575-0199.

**Documentation from a Financial Institution that an Irrevocable Letter of Credit or similar Performance Guarantee will be issued if re-lender is approved for funding**

Re-lenders will provide this documentation at the time of application for eligibility. The purpose of this documentation (also referred to as a “Letter of Intent”) is to insure Rural Development that the re-lender is creditworthy for the amount of financial assistance requested. This non-form was added in the merge of OMB No. 0575-0199.

**Documentation of being Regulated and Supervised by a Federal or State Banking Regulatory Agency, Subject to Credit Examination, Not on a Watch List, and No Regulatory Actions Outstanding**

Based on the Agency’s assessment of mission driven lending institutions primarily serving rural high poverty communities, we estimate approximately 45% of re-lenders will meet this eligibility criteria and provide this documentation. The documentation insures Rural Development that the re-lender has the requisite capital, asset quality, management, earnings, liquidity, and sensitivity to market risk to operate a federally financed loan fund. This non-form was added in the merge of OMB No. 0575-0199.

**Documentation of strong Financial Strength and Performance rating**

Based on the Agency’s assessment of mission driven lending institutions primarily serving rural high poverty communities, we estimate approximately 20% of re-lenders already have a rating in place or will obtain such a rating to document this eligibility criteria. The assessment, conducted by an independent third party, evaluates overall creditworthiness based on an analysis of past financial performance, current financial strength, and apparent risk factors. The documentation insures Rural Development that the re-lender has the requisite capital, asset quality, management, earnings, liquidity, and sensitivity to market risk to operate a federally financed loan fund. This non-form was added in the merge of OMB No. 0575-0199.

**Documentation of being a financially sound institution**

Based on the Agency’s assessment of mission driven lending institutions primarily serving rural high poverty communities, we estimate approximately 35% of re-lenders will need to undergo an assessment by Rural Development to assess their capital adequacy, adequate liquidity, management capabilities, repayment ability, credit worthiness, balance sheet equity & other financial factors. This non-form was added in the merge of OMB No. 0575-0199. Rural Development requires the following documentation:

- A. 3 years audited financial statements
- B. Interim financial statements as of most recent quarter end
- C. Auditor’s most recent management letter and management’s response
- D. Operating Budget versus Actual for last completed fiscal year and most recent quarter-end

- E. Schedule of outstanding debt (name of creditor, balance, origination and maturity dates, note rate, collateralization), and attach covenants
- F. Schedule of 5 largest sources of grant funding over each of the last 3 fiscal years (including grantor name, amount granted, description of allowable uses or any restrictions)
- G. Schedule of 5 largest investors over each of the last 3 fiscal years (including investor name, total investment, form of investment, description of allowable uses or any restrictions)
- H. Schedule of any other funding sources, including off-balance sheet financing, for the last completed fiscal year and most recent quarter-end
- I. List and description of any contingent liabilities
- J. Schedule of loans receivable (including borrower, loan type, description of collateral, original and maturity dates, note rate, current status e.g. delinquency or nonaccrual)
- K. Schedule of loans restructured and modified in each of the last 3 fiscal years and most recent YTD (including borrower, pre and post-mod loan terms, and current payment status)
- L. Schedule of loans charged off in each of the last 3 fiscal years and most recent YTD, with any recoveries realized
- M. Any external loan reviews performed over the last 3 years.
- N. Bylaws
- O. Credit policies and procedures (loan underwriting, servicing, portfolio management)
- P. Loan risk grading and assessment system
- Q. Enterprise risk management policies and procedures
- R. Disaster recovery plan
- S. Accounting policies (including loss reserve policies)
- T. Staff organizational chart, including names and titles for senior staff
- U. Organizational chart showing relationships to any parents, subsidiaries, or affiliates
- V. Management Team resumes
- W. Succession plans for key leadership and staff
- X. Board roster, with affiliations
- Y. Board meeting minutes for past year
- Z. Board meeting packets for last year
- AA. Most recent strategic plan
- BB. Most recent annual report
- CC. Description of programs, financial and non-financial products and services

**Documentation of Legal, Non-governmental Status (except for Tribal governments)**

Only non-governmental organizations (except for Tribal governments) will be eligible to participate as a re-lender. Documentation may come in the form of a legal opinion or a copy of the re-lenders organizational documents. This documentation is also used to determine legal powers and does not need to be duplicated. This non-form was added in the merge of OMB No. 0575-0199.

**Documentation of Membership in a National Organization that provides training, technical assistance and credit evaluation or certified by a Government agency as**

**having a primary mission of promoting development in low-income target markets and performs training and technical assistance as part of that mission.**

This documentation is used to determine re-lender eligibility. The purpose of the information is to provide Rural Development with assurances of the re-lender's basic credentials and professional standing in their industry and that their mission is aligned with the goals of the re-lending provision. This non-form was added in the merge of OMB No. 0575-0199.

**Certification to loan a majority of funds to applicants whose projects are located in or serve Persistent Poverty County(ies) or High Poverty Area(s)**

This certification for eligibility will provide to Rural Development the re-lender's commitment to providing economic benefit in areas of greatest need in rural America. Rural Development will review the re-lender's loan disbursements to determine that this eligibility criteria is met. This non-form was added in the merge of OMB No. 0575-0199.

**RD Instruction 1970-A, Exhibit H, "Multi-tier Action Environmental Compliance Agreement"**

This agreement is signed by the re-lender (primary recipient of the loan funds) before Rural Development moves forward with obligation of the initial aggregated funds. The agreement stipulates the re-lender's environmental compliance requirements for applicant loans. This non-form was added in the merge of OMB No. 0575-0199.

**Documentation of Assistance Provided to Rural Development Employees (written)**

Re-lenders must identify and report any known relationship or association with an RD employee such as close personal association, immediate family, close relatives, or business associates. This includes any assistance provided to employees. This non-form was added in the merge of OMB No. 0575-0199.

**Documentation of each evaluation factor (written)**

Re-lender applications will be prioritized for funding based on years of loan fund experience, lending history in Persistent Poverty County(ies) or Poverty Areas, and discretionary points for geographic distribution, emergency conditions, and natural disasters. This non-form was added in the merge of OMB No. 0575-0199.

**Irrevocable Letter of Credit**

This document or a similar type of performance guarantee serves as security for the loan between the re-lender and Rural Development and will be required by all re-lenders prior to loan disbursement. This document is issued by a financial institution. This non-form was added in the merge of OMB No. 0575-0199.

**Loan Origination and Servicing – applicant eligibility**

Applicants will apply directly to re-lenders for financial assistance. Re-lenders will be responsible for insuring applicants and the applicant's projects are eligible under 7 CFR 1942 Subpart A, Community Facilities Loan program and underwriting the loans for

financial feasibility. Applicants applying to re-lenders will meet the same application requirements as applicant's applying to Rural Development including all environmental review requirements of 7 CFR 1970. This non-form was added in the merge of OMB No. 0575-0199.

## **RECORDKEEPING REQUIREMENTS**

### **Borrower Shall Maintain Accounting Records for 3-Years**

These records are required so the Agency or the Comptroller General (or their representatives) may review them to determine that the borrower has complied with all financial requirements.

### **Quarterly Financial Statements**

Re-lenders will be required to submit financial statements quarterly to Rural Development. Rural Development will use the information to monitor the credit worthiness and paying capacity of the re-lender. Financial statements will include a verification by an official of the re-lender's organization. This non-form was added in the merge of OMB No. 0575-0199.

### **Quarterly report of re-lent loans**

Re-lenders will provide a report that includes the following: borrower name, outstanding principal and interest balance, status, amount and due date of the next installment due, and servicing actions conducted for any delinquent loan. Rural Development will use the information to monitor the current credit worthiness and paying capacity of the borrowers and to insure that re-lenders are adequately servicing the loan accounts in compliance with the Re-lender's Agreement. This non-form was added in the merge of OMB No. 0575-0199.

### **Annual Audit**

Annual audits are required from all re-lenders. The audits help Rural Development determine if the operations are sound and the intended services are being provided to the public. Often Rural Development can use the audits to predict developing financial problems and suggest corrective steps before the problems become serious. This non-form was added in the merge of OMB No. 0575-0199.

### **Financial Strength and Performance Rating**

Re-lenders will provide Rural Development with their most recent Financial Strength and Performance Rating, not more than 3 years old, as conducted by an independent third party. The assessment includes overall creditworthiness based on an analysis of past financial performance, current financial strength, and apparent risk factors. The documentation insures Rural Development that the re-lender continues to have the requisite capital, asset quality, management, earnings, liquidity, and sensitivity to market risk to operate a federally financed loan fund. This non-form was added in the merge of OMB No. 0575-0199.

**Certification Re-lender and Borrower have met requirements of 7 CFR 3575.42 and 7 CFR 3575.43**

Re-lenders are required to inform Borrowers of their responsibility for planning, bidding, contracting and construction and certify at the end of construction that all funds were utilized for authorized purposes. This non-form was added in the merge of OMB No. 0575-0199.

**Civil Rights data**

Re-lenders are required to comply with Title VI of the Civil Rights Act of 1964. They will collect and maintain data on Applicants by race, sex, and national origin, and ensure that Applicants also collect and maintain the same data on beneficiaries. Rural Development will use the information to conduct a compliance review once every three years. This non-form was added in the merge of OMB No. 0575-0199.

**Documentation of providing funds to Persistent Poverty County(ies) and High Poverty Area(s)**

Re-lenders will provide this documentation to meet the additional terms specified in the annual Notice so Rural Development can monitor the re-lender's agreement to loan a majority of funds to applicants whose projects are located in these areas. Documentation is accessible to the re-lender at public websites identified by Rural Development in the annual Notice. This non-form was added in the merge of OMB No. 0575-0199.

**REPORTING REQUIREMENTS – FORM BURDEN APPROVED UNDER OTHER OMB NUMBERS**

**SF 424, “Application for Federal Assistance” (OMB Control No. 4040-0004)**

The applicant completes the form when applying for construction funds. This is a common form, and as such, the numbers have been accounted for through the Request for Common Forms.

**SF 424A, “Budget Information – Non-Construction Programs” (OMB Control No. 4040-0006)**

Re-lenders use this form to project costs and expenses for the re-lending provision. The form also provides Rural Development information on matching funds.

**SF 424B, “Assurances – Non-Construction Programs” (OMB Control No. 4040-0007)**

Re-lenders read and sign this form to indicate the organization's intent to comply with the laws, regulations, and policies to which a loan is subject.

**SF LLL, “Certification of Non-Lobbying Activities or Disclosure of Lobbying Activities” (OMB Control No. 4040-0013)**

Re-lenders who are awarded loans over \$100,000 and/or lobby are required to complete this form.

**SF 3881, “ACH Vendor/Miscellaneous Payment Enrollment Form” (OMB Control No. 1510-0056)**

The re-lender and its financial institution will complete this form and provide it to Rural Development. The information contained in the form will be used to establish an electronic transfer of loan funds to the re-lender.

**“Environmental Policies and Procedures” (OMB Control No. 0575-0197)**

To comply with NEPA and other environmental laws, regulations and Executive Orders, RD requires applicants submitting applications for financial assistance to include project-specific environmental information along with other underwriting requirements. The purpose of this information is to evaluate and document the environmental implications of applicant’s proposals. This replaces form RD 1940-20 which was made obsolete by the discontinuation of OMB No. 0575-0094.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection.

Information needed is specific to each applicant, many of which may be small organizations not equipped for high technology information gathering. The Agency has many requirements that involve certifications from the borrower as well as other parties involved in the project. The Agency could not comply with legislative mandates without these certifications. All of the public use forms have been automated and put on the internet to comply with the Government Paperwork Elimination Act; however, at this time, the Agency is not collecting any of this information electronically. Based on the eGov initiative all efforts will be made to comply with the migration of federal forms into web-based fillable format consistent with the Agency’s timeline.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

The Agency has reviewed all loan programs it administers to determine which programs may be similar in intent and purpose. The Agency has other loans that are similar. If there were simultaneous participation in more than one Agency’s loan programs, the Agency would make every effort to accommodate the requests within the same set of applications and processing forms. This effort is presently facilitated by assignment of management of these programs to the same program area of responsibility. If an applicant is applying for or receiving a loan from another Federal agency, forms and documents furnished by the other agency would be utilized to the extent possible.

5. If the collection of information impacts small businesses or other small entities (item 5 of OMB Form 83-1), describe any methods used to minimize burden.



Information to be collected is in a format designed to minimize the paperwork burden on small businesses and other small entities. The information collected is the minimum needed by the Agency to approve loans and monitor borrower performance.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or conducted less frequently, as well as any technical or legal obstacles to reducing burden.

The information collected under this program is considered to be the minimum necessary to conform to the requirements of the program regulations established by law. Information is collected only when needed, and we believe no reduction of collection is possible. Failure to collect proper information could result in improper determinations of eligibility, improper use of funds, and/or unsound loans.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

a. Requiring respondents to report information more than quarterly.

There are no information collection requirements that require specific reporting on more than a quarterly basis. All information used in concordance with this regulation does not facilitate the use of figures more than on a quarterly basis.

b. Requiring written responses in less than 30 days.

There are no specific information collection requirements that require less than 30 days response. However, in many cases, especially where a borrower's income or financial situation has declined, it benefits a borrower to provide the Agency with information as soon as possible. The Agency cannot provide the borrower with program benefits until documentation is received to support the borrower's request.

c. Requiring more than an original and two copies.

There are no specific information collection requirements that require more than an original and two copies.

d. Requiring respondents to retain records for more than 3 years.

There are no such requirements.

e. Not utilizing statistical sampling.

There are no such requirements.

f. Requiring use of statistical sampling which has not been reviewed and approved by OMB.

No such requirements exist.

g. Requiring a pledge of confidentiality.

There are no such requirements.

h. Requiring submission of proprietary trade secrets.

There are no such requirements.

8. If applicable, identify the date and page number of publication in the Federal Register of the agency's notice soliciting comments on the information collection. Summarize public comments received and describe actions taken by the agency in response to these comments. Describe efforts to consult with persons outside the Agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, reporting format (if any), and on data elements to be recorded, disclosed, or reported.

A Notice was published on December 28, 2016 [Vol. 81, No. 249, page number 95557] soliciting comments on this information collection. No comments were received.

Telephone interviews were conducted with the following:

(1) Mr. Ramon Lara, Woodlake, CA: community center; (2) Mr. Kevin Kramer, Alturas, CA: hospital facility;

Both of these borrowers indicated they did not consider the paperwork associated with the Community Facilities program to be excessive due to the manner in which the processing office assisted them in working through the applications under this authority. They felt the paperwork and reporting burden was less than other State and Federal agency. All representatives stated the paperwork, the reporting burden, and the frequency of information collection were not problems for them.

9. Explain any decision to provide any payment or gift to respondents, other than reenumeration of contractors of grantees.

No such decisions or payments were made.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or Agency policy.

No assurance of confidentiality was provided. The information collected under the provisions of this program is not considered to be of a confidential nature. Organizations such as nonprofit entities and public bodies from which the information is collected ordinarily are required to make their activities available for public scrutiny.

11. Provide additional justification for any question of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private.

The information collected does not contain any questions of a sensitive nature such as sexual behavior, religious beliefs, or other matters commonly considered private.

12. Provide estimates of the hour burden of the collection of information.

This submission is for 2,769 respondents with 44,990 responses and 48,319 burden hours.

The cost of the regulations as a burden to the public was computed on the wages of \$83.00/hr. for re-lending applicants and \$56.00/hr. for regular loan applicants. For requirements completed by both re-lending and regular applicants an average of \$69.50 is used. Averaging the data collected through sampling of borrowers we arrived at these figures. The \$83.00 wage is most comparable to what eligible nonprofit employee compensation would be to process the information requested. The \$56.00 represents the average salary of persons completing the forms: administrative staff of municipalities (public bodies) such as town clerks, secretary/treasurer; public bodies, or nonprofits, town clerks, secretary or treasurer of nonprofit organizations, volunteer firefighters, attorneys, architects, other professionals, and those volunteering their services to the project. Both of these wages are according to the 2015 BLS National Occupational Employment and Wage Estimates. Based on these estimates, the cost to the public is \$2,857,510.

See attached spreadsheet for breakdown.

13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information.

There are no start-up costs.

14. Provide estimates of annualized cost to the Federal Government.

The estimated annualized cost to the Federal Government is \$905,299. A total of 14,880 hours is estimated for processing applications and preparing award documents. A more detailed breakout can be found below. The table will also list the GS levels used and how the average was derived.

The cost to the Federal Government is calculated based on the hourly wage of \$43.29 for a GS12/Step 5 Community Programs Specialist and the hourly wage of 51.48 for one GS13/Step 5 Community Programs Specialist for additional review. Cost of benefits is calculated at \$15.69 and \$18.66 (36.25%) for a total hourly wage of \$58.98 and \$70.14,

respectively. The cost to the Federal Government to collect and evaluate the information in this collection is summarized in the following calculations:

Activity	Man Hours	Number of Applications	Hourly Wage	Cost to Government
Application Review Phase	20	620	\$58.98	\$731,352
Additional Application Review Phase	20	124	\$70.14	\$173,947
				\$905,299

15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of the OMB Form 83-1.

There was an increase of 16,421 responses and a decrease of -9,048 burden hours from the last submission. This is the net change due to program changes and adjustments made to the collection package.

1. The Rural Utility Service’s (RUS) written reporting requirements are no long accounted for in this package. That program has been moved to OMB No. 0572-0121. This was a program decrease of -16,050 hours and -8,300 responses.
2. All RD forms are now accounted for in the individual packages that use them. RD form burden that was accounted for by other OMB numbers in past submissions of this package, have been moved to reporting requirements approved with this package. This was a program increase of 14,100 responses and 7,606 burden hours. Combined actions resulted in a program change increase of 5,800 responses and a decrease of -8,444 hours.
3. Form RD 1940-20 formerly approved under OMB No. 0575-0094 has been discontinued for a PC decrease of -1,385 responses and -346 hours. The environmental policy for RHS is now covered under OMB No. 0575-0197.
4. Remaining difference changes are adjustments within the industry.

16. For collection of information whose results will be published, outline plans for tabulation and publication.

There are no plans to publish the information collected under the provisions of the program.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

These forms are used in other Rural Development information collections; therefore, it is not practical to include an OMB expiration date because of the different expiration dates for each collection. RHS is seeking approval to not display the OMB expiration date on these forms.

18. Explain each exception to the certification statement identified in Item 19 on OMB 83-1.

No exceptions are requested.

19. How is this information collection related to the Service Center Initiative (SCI)? Will the information collection be part of the one stop shopping concept?

This information collection is not related to the Service Center Initiative.