

## Community Development Block Grant (CDBG)— Section 108 Loan Guarantee Program

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### Eligible Uses

#### Construction/Capitalization, Technical Assistance

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##### At a Glance

Section 108 loans provide communities with a source of financing for a variety of projects. It allows local governments to transform a small portion of their CDBG funds into federally-guaranteed loans. These loans are then used to pursue physical and economic revitalization projects. Under this program, entitlement communities can receive loan guarantees equal to five times their CDBG amount. Communities in non-entitlement areas can receive loan guarantees equal to five times the state's grant under the CDBG program. Section 108 loans are not risk-free. Local governments borrowing funds guaranteed by Section 108 must pledge their current and future CDBG allocations to cover the loan amount as security for the loan. The maximum loan repayment period is 20 years. Grantees that have received guarantees in the past for activities that have yet not occurred may also request that HUD approve the use of those funds for other activities. Section 108 loans may be used to match FEMA grants. HUD cannot waive requirements for the Section 108 Loan Guarantee program.

##### Receivers

Eligible applicants include the following public entities:

- Metropolitan cities and urban counties (i.e., CDBG entitlement recipients).
- Non-entitlement communities that are assisted in the submission of applications by states that administer the CDBG program.
- Non-entitlement communities eligible to receive CDBG funds under the HUD-Administered Small Cities CDBG program (Hawaii). The public entity may be the borrower or it may designate a public agency as the borrower.

##### Eligible Activities

Section 108 loan guarantees can be used for acquisition of real property (including related public improvements, clearance, and relocation) or repairs of publicly-owned real property (including infrastructure such as streets). It can also be used for housing repairs, public facilities and economic development activities. In general, loan funds must be used in accordance with all of the other requirements that apply to CDBG funds received directly from HUD. This includes the requirement that 70 percent of loan proceeds, considered together with grant funds and program income, must be used for activities that mainly benefit low- and moderate-income persons.

##### Cost Sharing

None

## Applications

To apply for a Section 108 Guaranteed Loan, applicants should contact their local HUD office

([http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/field\\_policy\\_mgt/localoffices](http://portal.hud.gov/hudportal/HUD?src=/program_offices/field_policy_mgt/localoffices)) in advance for help in preparing an application. The program has no forms but has the following steps:

A. Pre-submission and Citizen Participation Requirements: (1) development of a proposed application, (2) compliance with CDBG citizen participation public hearings, (3) publication of the proposed application, (4) preparation of the final application, (5) inclusion of the final application in the Consolidated Plan.

B. Application Submission Requirements: (1) description of compliance with CDBG National Objectives and Eligible Activities, (2) schedule for repayment, (3) certifications.

### More Sources and Contact Information

For more information on the CDBG Section 108 Loan Guarantee program, contact your local HUD field office ([http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/field\\_policy\\_mgt/localoffices](http://portal.hud.gov/hudportal/HUD?src=/program_offices/field_policy_mgt/localoffices)). When applying for a Section 108 loan, the field office is the first to become involved in reviewing the application.

CDBG Disaster Recovery Program <https://www.hudexchange.info/programs/cdbg-dr/>

Section 108 Loan Guarantee Program

<https://www.hudexchange.info/programs/section-108/>