



## HUD'S SECTION 108 LOAN GUARANTEE PROGRAM: A RESOURCE FOR FINANCING COMMUNITY RESILIENCE

HUD's Section 108 Loan Guarantee Program enables state and local jurisdictions (borrowers) to make loans for community and economic development projects that primarily benefit low- and moderate-income communities. Costs can be spread over time with flexible repayment terms and allow borrowers to take advantage of lower interest rates than could be obtained from private sources. Loans typically range from \$500,000 to \$140 million, depending on the scale of the project or program.

### How the Section 108 Loan Guarantee Program Works

State and local governments can apply for these non-competitive loans to accomplish a wide variety of projects and programs. Since the loans are guaranteed by the federal government, communities are able to gain access to low-cost private sector financing. The investment of these funds is a stimulus to other private dollars. Communities can either do the work themselves or relend the funds to businesses and non-profit entities.

### How can Section 108 be used to fund projects that build community resilience?

Section 108 guaranteed loans are used to finance projects to foster economic development and job creation, including, but not limited to, loans for commercial/industrial developments, for infrastructure and public facility projects, and direct loans to businesses.

The flexibility of the program allows it to be used to meet current challenges- today communities need to incorporate improvements to bolster their resilience against natural disasters. While financing for these types of improvements can be difficult to secure through traditional means, the Section 108 loan guarantee program can help solve this problem.

### What are some of the typical uses for Section 108 Guaranteed Loans?

#### Economic Development

In low income areas, Section 108 can stimulate development that creates jobs for residents and bring both goods and services to these often underserved areas. Communities can use it to fund individual projects such as grocery stores, recreational facilities, hotel redevelopment, or movie theaters. Alternatively, communities can use it to invest in several investments as part of a place-based initiative focused on a neighborhood or commercial corridor. Additionally, communities can use 108 loans to finance urban agriculture and food production initiatives- bringing fresh, healthy and affordable food to low income food deserts. All of these improvements can help communities build social resiliency while ensuring these redevelopments are built to better withstand the impacts of future disaster events.

## Housing Rehabilitation

Section 108 guaranteed loans can be used to rehabilitate and strengthen housing to withstand natural disasters and make them more energy-efficient. This will save lives, reduce property damage, and reduce energy costs for households. In particular, Section 108 is typically used to rehabilitate affordable housing. Affordable housing provides the stability families need to stay healthy, employed and doing well in school.

## Infrastructure Repair and Development

Section 108 guaranteed loans can finance the design and installation of storm water management systems and make efficiency and resiliency improvements to transportation and sewer and water systems. These improvements can include the elevation of systems, re-routing drainage ways, and installing green infrastructure improvements and water retention areas.

## Community Facilities

Section 108 guaranteed loans can be used for childcare centers, senior centers, homeless shelters, libraries, and community health centers. It is possible to construct these facilities so that they may also serve as shelters in the event of a natural disaster.

## How do you apply?

Eligible applicants must be states, cities, or other units of local government. HUD reviews each application for financial feasibility and compliance with program requirements. Once HUD approves a commitment to issue the community's loan guarantee, the borrower can begin accessing funds to carry out its funded project or program.

## For more information...

Visit the HUD Exchange website Section 108 page for information and training materials.

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

