PROGRAM PURPOSE

The Section 108 Loan Guarantee Program has historically provided federal guarantees to private lenders to assist communities in undertaking large community or economic development projects.

BUDGET OVERVIEW

The 2021 President’s Budget does not request additional loan guarantee authority for the Community Development Loan Guarantee program, also known as the Section 108 program, which is $300 million less than the 2020 enacted level. Since 2016, with the implementation of the congressionally approved fee structure, the Section 108 program has not required an appropriated credit subsidy. While this program operates without appropriated funds, it remains inextricably linked to the Community Development Block Grant (CDBG) program, both with respect to programmatic requirements and as a source of security and payment for debt. The 2021 Budget devolves community and economic development activities to the state and local level and proposes to eliminate CDBG, which would effectively eliminate the Section 108 program as an additional financing source for communities.

As of December 2019, the Section 108 program supports 552 unpaid loans in communities across the country, with an outstanding loan balance of approximately $1.1 billion. Existing loan guarantee commitments could extend up to 25 years into the future, as borrowers have up to five years to make their first advance and the 20-year loan commitment does not begin until the first advance is made. The Section 108 office will continue to ensure timely repayment of these loans on a quarterly basis as well as continue to provide regulatory and programmatic oversight.