



Participation Loan Program Guidelines

The Participation Loan Program is intended to help local development groups, lending institutions, and regional councils have expanded resources to assist local economic and community development projects.

Any local development group or political subdivision located in North Dakota communities 10,000* or under in population, or projects that have a rural or cooperative focus, may apply.

**Communities contiguous to communities with a population greater than 10,000 are ineligible for RDFC financing.*

Objectives of this loan program are to support projects that:

- Support business startups, expansions and strategic improvements that strengthen rural economies.
- Provide or enhance essential community services.
- Foster rural vitality through cooperative enterprise models, community ownership or local re-investment.
- Leverage public and private sector capital to maximize community impact.

Loan prioritization criteria:

- Suitability of project type in relation to alternative funding and financing sources, impact, and alignment with RDFC's rural development mission
- Level of local and external funding leveraged
- Applicant investment
- Cooperative involvement or benefit to cooperative members
- Job creation, workforce recruitment or retention outcomes

Projects that score highly under this framework will receive priority consideration for funding.

Under this program, RDFC will participate with financial institutions and local/regional lending groups to grow their lending capacity. RDFC will share the same loan term length and collateral interests of the lead lender.

Length of Loan:	To match lead lender; typically no more than 20 years.
Interest Rate:	2%
Origination Fee:	1%
Repayment:	To match lead lender
Security:	Shared with lead lender.
Loan Amount:	The maximum loan amount is determined by board discretion and the amount available to lend in the revolving loan fund at the time of application. The RDFC participation loan is not to exceed 50% of the total loan amount.
Eligibility:	Any local development group or lending agency serving a project in a community with a population of 10,000 or less, or those serving rural or cooperative-focused projects.

Servicing Fee The lead lender will be responsible for all payment collections and loan servicing. The lead lender may charge an applicable service fee.

Application package must contain:

- Application form (including an executive summary of a business or operational plan and repayment plan.)
- Letter of commitment (or conditional commitment subject to RDFC loan participation approval) from a lead lender to finance the project. The letter should include the total project cost, use of loan proceeds, amount of loan by lead lender along with their loan length or maturity, interest rate and origination fee, plus any late payment and loan servicing feeds, and their willingness to accept a participating lender with the requested amount. Lead lender can be a local development group, local/regional utility, regional council, local bank, or other legitimate lending entity. The RDFC may utilize a participation agreement from the lead lender or can provide a template agreement upon request.
- Financial statements: Current year and past two years of income and expense statements and balance sheets, plus annual revenue sources for the applicant if not clear in the afore-mentioned statements.
- An attorney's opinion verifying the applicant has the legal authority to incur debt (if appropriate).

Review process

- The lead lender shall perform all due diligence and upon their willingness to lend funds for the project, the lead lender and borrower may apply for a participation loan through the RDFC.
- The RDFC board will review applications at its next regularly scheduled meeting date. The RDFC board typically meets at least every other month or as needed and available.
- RDFC staff will strive to notify the lead lender on whether the loan is approved within 30 days of receiving a complete application.
- Approved projects will receive a written notification of terms and conditions.

Leveraging External Funds

Priority will be given to applications that significantly leverage RDFC dollars with additional funding from sources such as traditional financial institutions, community and county economic development organizations, regional councils, as well as state and federal agencies.

Applicants should secure or demonstrate strong potential for supplementary financing, or alternatively document attempts to obtain additional funding sources. Key evaluation factors include the degree of leverage, partner commitments, and alignment with community and rural development goals. This policy aims to maximize RDFC loan impacts with regard to the number of communities and initiatives served.

NOTE: Upon loan approval – the loan must be closed within 180 days. After that period of time, the board may reaffirm the offer, or the offer may expire.

Email completed applications to: RDFC@ndarec.com

Contact: Ellen Huber
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