# CAPITOL ASSOCIATES

**Moderator: Bill Finerfrock**
**May 22, 2012**
**1:00 pm CT**

Operator: Please stand by. We are about to begin. Good day and welcome to the Rural Health Clinic's technical assistance national teleconference series, loans and grants program through USDA loans and grants call. Today's call is being recorded. At this time, I'd like to turn the conference over to Bill Finerfrock. Please go ahead, sir.

Bill Finerfrock: Thank you operator. I want to welcome all of our participants to today's RHC teleconference on USDA financing options for rural health clinics. My name is Bill Finerfrock and I'm the Executive Director of the National Association of Rural Health Clinics and I'll be the moderator for today's call.

We've heard from many RHC's over the past year about the difficulties you're experiencing coming up with the initial financing to purchase the necessary equipment to bring your clinic into the 21st century of healthcare delivery. Now the USDA has government subsidized low interest loan programs for both non-profit and for profit RHC's.

Our two speakers today will talk about different programs available for each type of RHC. First, we're going to hear from (Brenda Griffen) who is with the Business and Industry Division within the U.S. Department of Agriculture about their loan program, which is geared towards for profit interests. Then we'll hear from (Aaron Morris) who is with the Community Facilities Program within the USDA and he's going to talk about the programs that they have for non-profit rural health clinics.

We're going to go about 45 minutes with the presentations. You all should have received the slides ahead of time. At the end, we will open it up for your questions. I want to remind everyone that this series is sponsored by the Health Resources and Services Administration Office of Rural Health Policy in conjunction with the National Association of Rural Health Clinics.

The purpose of this call is to provide RHC staff with valuable, technical assistance and RHC specific information. Today's call is the 47th in the series which began in late 2004 and during that time, nearly 13,000 individuals have participated in the bi-monthly series. As you all know, there is no charge to participate and we encourage you to refer others who might benefit from this information to sign up to receive announcements regarding dates, topics and speaker presentations. That information is available on the government's website at www.HRSA.gov/ruralhealth/policy/confcall/index/html.

During the Q and A period, we do ask the callers to please provide your name, city and state location before asking your question. In the future if you have questions or suggestions for topics, you can send them to Info@NAHRC.org. With that, I'd like to introduce our first speaker, (Brenda Griffen), who is with the business and industry branch here in Washington D.C., who is going to talk to us about their guaranteed loan program. (Brenda), the floor is yours.

(Brenda Griffen): Thank you. I appreciate that. Yes, my name is (Brenda Griffen). I work with USDA Rural Development in the Business and Industry guaranteed loan program. The purpose of our program is to improve, develop or finance business industry and employment, and improve the economic and environmental climate in rural communities. We work with private lenders and guarantee quality loans that have provided lasting community benefits. For those of you who do have the slides in front of you, I'm going to the second slide.

Rural area - all of our programs are administered in rural areas. The rural area definition for this program is any area other than a city or town that has a population of greater than 50,000 people and any urbanized area contiguous and adjacent to such a city or town. We are operating off of the 2000 census currently, but as of October 1, we will begin to use the 2010 census data.

Next slide. The program actually is delivered through 47 state offices. We have one in virtually every state. Some states share state offices, for instance, Delaware and Maryland are one office; Massachusetts, Connecticut and Rhode Island are one office. Aside from that, we generally have one everywhere. Virgin Islands is serviced by Florida and we also do loans in the Western specific territories which are serviced by the State of Hawaii.

Next slide. Eligible lenders for our program - we have what we call traditional lenders that are federal or state chartered banks - farm credit banks, savings and loans, basically they are regulated lenders that we refer to as traditional lenders. We do allow other lenders to participate in the program if they have the legal authority and sufficient experience in financial strength to operate a successful lending program. These lenders request eligibility status from the agency and assuming that they meet the criteria, are approved.

Next slide. Borrowers for our program can be any legal entity. It can be an individual, a public body, a tribal group, as long as it's an entity that manufacturers, whole sales, retails or is service oriented. It has to be a business. We do have a few - I'm sorry, next slide.

We do have a few ineligible purposes and borrower types. Charitable institutions are not eligible, churches or church controlled organizations, fraternal organizations, lending and investment institutions, insurance companies, businesses engaged in illegal activity and golf courses, just to name the top few. A full list of ineligible borrowers and purposes can be found in our regulation at that link on the page.

Lines of credit at this point in time are not eligible purposes. We are working on an enhancement program that will allow lines of credit. We're hoping the proposed rule will be published in the next couple of months. Lease payments are not eligible. We can't guarantee loans that are made by other federal agencies. That's not to say that we can't do loans in conjunction with loans from other federal agencies. Distributional payment to an owner, beneficiary or close relative when the owner will remain an owner, federal tax exempt obligations and loans with direct or in-direct conflicts of interest.

Next slide. Loan purposes are real estate purchase and improvements, sharing equipment, working capital, debt refinancing and business acquisitions. If there's debt refinancing with an existing lender, that refinancing piece is limited to 50% of the total loan amount.

Next slide. To use loan limits and percentage a guarantee - the fees for the program, we do have an initial guarantee fee of 3% for our regular loans. There are loans that can qualify for a reduced guarantee fee of 2%. These would be loans that score - on our score sheets, there are areas that it has to score in for community priority. Just an example of that would be a high unemployment area, a persistent poverty area, an area that has been suffering as a result of a natural disaster and that type of thing. All of our loans do carry an annual renewal fee of a quarter of 1%. This is due every December 31st and it's based on a percentage of the outstanding loan balance.

Loan limits - currently, we have a 410 million loan limit and this slide actually says without administrator exception. Our administrator, because of our recent funding issues, has limited the loans to $10 million. The administrator is not currently making exceptions to go above the $10 million limit. If it weren't for that administrator exception, we could make $25 million in loans to any one borrower, except for rural cooperative organizations where we can go up to $40 million if they process value added products.

Percentage of guaranteed limits - if the loan is $5 million or less, it would typically carry an 80% guarantee. Between $5 million and $10 million would typically carry a 70% guarantee and loans over $10 million would carry a 60% guarantee.

Next slide. As far as the loan structure, the interest rate is negotiated between a lender and the borrower and is approved by the agency by virtue of us approving the loan guarantee. The interest rate can be fixed, it can be variable or it can be a combination of both. The interest rate does have to be reasonable and customary and the maximum terms for our loans - we can go up to 30 years for real estate, missionary equipment would be 15 years, or the useful life of the missionary equipment, whichever is less. Working capital loans would carry a seven year term.

We don't actually allow balloon payments. We can refinance balloon payments, but our loans have to be fully amortized over the life of the loan with no balloon payment in the end.

Next slide. We do have a tangible balance sheet equity requirement. It's a minimum of 10% tangible balance sheet equity for existing businesses, a minimum of 20% for new businesses and a minimum of 20% to 40% for energy projects. We do take out intangible assets such as goodwill, the loan costs, customer lists and things like that out of the tangible balance sheet equity calculation. We do not count appraisal surplus or subordinated debt as equity.

Next slide. Collateral has to be sound and sufficient to protect the interest of the lender and the agency and normally, the discounted value has to at least be equal to the loan amount. We typically give us to 80% value for real estate, up to 70% for missionary equipment and up to 60% for inventory and receivables. The lender in this case is not allowed to secure the unguaranteed portion of the loan with additional collateral.

What that means is if we do an 80% guarantee, 20% of the loan is unguaranteed. The lender is actually required to hold 5% of the total loan amount that must be of the unguaranteed portion and not participate to others. The remaining unguaranteed portion can be participated with other lenders and the guaranteed portion can actually be sold in the secondary market which we'll talk about in a little bit.

Next slide. For startup businesses, we typically require feasibility studies. We would also require feasibility studies for existing businesses who are expanding or there is a significant change in operations of the business. We would expect that feasibility study to discuss economics, market, technical, financial and management feasibility, and come to an overall conclusion as to the success of the business.

Next slide. Appraisals - we do require appraisals for real estate appraisals. They must be FIRIA and use pap standards. Chattel is valued in accordance with normal banking practices. That can be an appraisal from - if it's used equipment, it can be an appraisal from an auctioneer or somebody who is qualified to make the appraisal. In the case of the real estate, it does have to be a state certified general appraiser.

Next slide. Planning and performing development - when we do construction projects, we do have extra responsibilities that the lender is responsible for - designing the project, making sure that all federal, state and local codes are adhered to and project control, which would be monitoring of progress of construction, paying out draws and things like that which the lender is responsible for.

Next slide. We do have insurance requirements, but we typically leave that up to the lender as to which type of insurance is required. Personally, I've never seen a lender that has ever required hazard insurance, but sometimes the key person life insurance is required, especially if there is no management succession plan, sometimes we see worker compensation insurance and flood insurance that the lender has required. In the event that the lender doesn't require these types of insurance, sometimes the agency will make that as a condition of the loan guarantee.

Next slide. This slide shows all of my colleagues and myself here in the B and I loan processing branch and our respective phone numbers. We can also be found on the internet at that link address. With that, that is the end of the B and I processing presentation.

Bill Finerfrock: Great. Thanks, (Brenda). We'll hold all of the questions until after (Aaron's) presentation and then we'll open up for questions on either the community facilities or the business and industry loan programs, if that's okay with you.

(Brenda Griffen): Yes. That's fantastic.

Bill Finerfrock: (Aaron), are you back with us?

(Aaron Morris): Yes, I'm here.

Bill Finerfrock: Okay. We've gone through the introduction, so if you want to go ahead and talk about the community facilities program and just for clarification - the business and industry program is geared towards for profit businesses. The community facilities direct loans and grant programs are geared towards non-profit community organizations. With that, why don't you go ahead and tell us about the community facilities program.

(Aaron Morris): Sure. In the community facilities program, we have direct guaranteed loans, as well as the grants. As was previously mentioned, we are directed more towards non-profit organizations, public bodies and federally recognized Indian tribes. On the first slide, eligible rural areas - that includes cities, towns and designated places that have populations over 20,000 or less - it's a little bit different than the business and industry program where IE believe their population limits are 50,000 or less.

Eligible rural areas - projects must primarily serve and benefit rural residents and communities. At least 51% of the population served must be in an eligible rural area. For the CF program, the project must be located in a town of 20,000 or less, but the service area can be much greater than that.

What is the central community facility? That's on the next slide. A central community facility provides a central service to the local community and it must be a public improvement that is needed for the orderly development of a rural community. Also, that facility is the physical structure in the service that is to be provided.

In this case, if we were to provide funds for equipment in a rural health clinic, the equipment would actually be considered the facility. Whatever the funds are used for, that is what we consider to be the facility.

On the next slide - who is eligible to participate? As I mentioned before, it's public bodies, counties, cities, parishes - whatever local government there is, non-profit organizations and fairly recognized Indian tribes.

On the next slide - an eligible facility must be a function or service that's typically provided by a local government, must be operated on a non-profit basis and it has to be within the jurisdiction of the applicant. The jurisdiction of the application - that refers to the organizational structure and purpose, as well as territory.

An eligible facility - oh, I'm sorry - I believe this is a duplicated slide. Going to the next slide - an eligible facility must be able to demonstrate a significant community support. That can be done in a number of ways. One way of course would be to have a fact base supporting any funds that are being borrowed. That shows that the community is behind the project. Also, must provide a resolution or letter of support from the effective local governments to indicate that the service is needed and that the facility would not adversely impact other facilities that are providing similar services. This is not a requirement for financial support.

Again, we've gone into the eligible applicants, the body bodies who need to show the local governments that are eligible for our program. We'll go to the next slide and talk about non-profit organizations and that's an organization that's operating on a non-profit basis such as an association, cooperative or private corporation. The need to provide organizational documents to actual demonstrate non-profit status.

Cooperatives - they are only eligible when they are organized as non-profits and they don't restrict membership. We'll usually have our general council review organizational documents to determine eligibility in that case.

Again, we talk about eligible non-profits and they must have significant ties to the community. These significant ties are extremely important because if the project has problems once the facility is operating, there is a much better chance the facility would be able to recover and continue operating, if you guys are able to demonstrate a strong support from the community.

Let's go to the next slide. These just show evidence of significant ties. Here's three ways to do so. Close association with or control of local government, rally based ownership and control by members of the community, and substantial public funding.

We're going to talk about the CF direct loan program. Our loans can go out to 40 years for real estate projects, new construction - feasibility studies are required for most projects. Currently, the CF market interest rate is 3.375%. On the next slide, I gave that a slide all on its own - three and three A's. That's historical lows for the community facilities program and I know a lot of times, our applicants are really looking for grants. It's very limited, but three and three A's, this is an opportunity to do capital improvements at very attractive interest rates, so I would encourage - if grant funding isn't available, please look at our direct loan program. It's a great time to borrow.

On the next slide, it just pretty much shows the community facilities have obligated funds since the inception of the program and healthcare is a very big priority for us since the program's inception. In fact, over 49% of dollars in the program have been spent on healthcare projects. Here are the types of healthcare projects that we do. We do hospitals, general, surgical, outpatient, psychiatric, specialty, emergency rooms and things like that. Of course clinics, emergency clinics, outpatient clinics, dental clinics, dialysis, mobile clinics, etcetera.

We also have a partnership that we have developed with the Department of Health and Human Services and that's with the office of the national coordinator for health information technology and also the health resources and services administration. That partnership - our goal is to increase the availability of capital for healthcare facilities and health IT. The focus will primarily be on the potential for rural development programs to support rural health providers.

On the last slide, it's just my contact information on where you can reach me, how you can get ahold of me. I'm available, generally, anytime, but usually I'll try to direct you to the respective state that you're contacting me from. Our delivery system is very localized, so folks out in the field are much better able to assist you than I am here at the national office. That concludes my presentation.

Bill Finerfrock: Great. Thank, you (Aaron). Operator, if you would give the instructions for folks to ask questions. We have some that were E-mailed in. After you give those, I'll ask some of the questions that we had sent in while we're waiting for folks to get their questions in line.

Operator: Okay, thank you. Ladies and gentlemen, if you would like to ask a question, please signal by pressing the star key following by the digit 1 on your telephone keypad. If you're on a Speakerphone, please make sure that your mute function is turned off to allow your signal to reach our equipment. Please provide your name and location before posing your question. Again, that's star 1 for questions.

Bill Finerfrock: While we're waiting for folks to get in line, one of the questions we got was from somebody who has indicated that their hospital has been working with the USDA for over a year, trying to get funds for the renovation of their emergency department. They were just recently told that the state only received $300,000 for grants for the entire state, so a grant is highly unlikely. Will this be the case if they were to go for something in rural health clinics? (Aaron), I'm consuming this is a community facility and this is what you were referring to with regard to limits on grants versus loans.

(Aaron Morris): Correct. Well, I can say that it is probably going to be the case in the future going forward. Our grant program is continuing to shrink, but you know, our loan program is expanding. We had over $1.3 billion in direct loan funds this year, which is a record high for this program and you know, from what I've seen, it's only going to get bigger next year. So while our grant program is expanding, you know - not expanding - but our grant program is shrinking. The direct loan program is growing and the interest rates are very low. I would say that, you know, states getting somewhere in the neighborhood of $300,000, that's probably quite a bit for whatever state this person is residing in.

Bill Finerfrock: The E-mail doesn't indicate what state the person is located in. What you're suggesting is perhaps in this case and others that while the grant program may not have much and the competition may be very stiff, at the interest that you were quoting, perhaps they would want to look at doing some kind of a loan financing for their project.

(Aaron Morris): Most definitely.

Bill Finerfrock: Is there - you know, (Brenda) talked about the size and the amounts of loans that are available. Are there dollar amounts? Can you give a maximum amount? A loan can't exceed a certain amount?

(Aaron Morris): We do not have a maximum dollar amount in which you can borrow money; of course large projects are going to need a feasibility study and, you know, we need to determine whether debt repayment, you know, if the project is feasible.

But there's no dollar - maximum dollar amount per see.

Male: Okay.

Bill Finerfrock: Operator, do we have - I have a couple of more but why don't we see if we have some questions lined up from the audience?

Operator: And we do have two questions in the queue this time. We'll go to the first in line. Please go ahead, caller. Your line is open.

(LeeAnn Amond): Hi, this is (LeeAnn Amond), I'm in Georgetown, South Carolina, Georgetown Pediatrics Center Rural Health Clinic.

And we were wondering if any of these lines would be something we could use for building with MUSC a multi-specialty clinic.

Bill Finerfrock: You, yes, we would clarify what MUSC stands for - Medical...

(LeeAnn Amond): Medical University of South Carolina.

Bill Finerfrock: And also are you looking at this as a for-profit or a non-profit. Is this...

(LeeAnn Amond): It would be for - it would be for-profit I would, yes. Well, I don't know - they're non -- I would think they're non-profit. But we're for-profit.

Bill Finerfrock: (Brenda) do you want to take...

(LeeAnn Amond): But it would be their sub-specialty clinic not ours. We have - our patients would go there.

Bill Finerfrock: Okay.

(Brenda): The business and industry guaranteed loan program - it would be eligible for that. We do for profit and non-profit organizations.

(LeeAnn Amond): Okay.

(Brenda): So, and we could assist with financing for the construction of the facility, machinery and equipment, working capital, that type of stuff.

(LeeAnn Amond): Now, you said up to ten million?

(Brenda): Mm-hmm.
(LeeAnn Amond): Okay.

(Brenda): This fiscal year at least. It was - that limitation was imposed last fiscal year as well just because our funding as CFs is experiencing it also. It's just - it's dwindling.

(LeeAnn Amond): Yes, I can understand that.

Bill Finerfrock: (Brenda) I don't know whether you're able to give a guess here but you indicated that, you know, 80% of loan guarantee or 70%. You have a general figure of what that translates into in the form of a lower interest rate. Presumably that results in a lower interest rate to the borrower than they would have gotten without the government guarantee.

You have a general ballpark of what that - what that would mean. So in other words if you went into the bank without government guarantee you might pay 5% but with the government guarantee it's 4%. Is that kind of how that works?

(Brenda): We actually encourage our lenders to pass savings on to the borrower in the form of the interest rate because of the, you know, the lenders getting a guarantee. But honestly that's not mandated.

So I would say typically that they interest rates that we see are anywhere from prime plus one to maybe prime plus two and a half or three.

Bill Finerfrock: Okay. All right. I had (Aaron) I guess this is directed at you. Can non-profit organizations that provide services and technical assistance for rural health clinics apply?

In other words it's not that apparently that the clinic itself but it's someone - a non-profit that provides services to the rural health clinic.

And maybe that's too vague to be able to answer but can you give us any insight on that?

(Aaron): Well, the CF program is - it's a bricks and mortar type program so we're pretty much financing real estate and equipment. We do have the rural cooperative development and rural community development initiative - the (Our City App) program. That is a technical assistance type program.

I wouldn't know if it would exactly fit but that person can contact me and I would get them in contact with someone who can see if that program fits their needs.

Bill Finerfrock: Okay, I will - I will get back to that person in the event that they're not on the call and make them aware that they should perhaps reach out and contact you. That that is something that might be a possibility.

(Aaron): Okay, thanks.

Bill Finerfrock: We have another question on the line, operator?

Operator: Yes, we have two more questions in the queue at this time. We'll go to the next. Please go ahead, your line is open, caller.

Bill Finerfrock: If you'd be able to identify yourself caller, we'd appreciate it.

(Jennifer Gilfore): I'm (Jennifer Gilfore) from East Carol Hospital in Lake Providence, Louisiana. And we own two rural health clinics at the hospital. And my question is we have a loan through the USDA for our roof. We replaced our roof at the hospital. And we were trying to get another loan from USDA. And we were - we had to do a financial feasibility.

And it just seems to me like - just explain why we had to do the financial feasibility because they already had our financials. And we had to pay $30,000 to have that financial feasibility done.

You know, we're trying to borrow money and then we're having to spend that kind of money to do that when it seems like they would already have that if we already borrowed from them.

Male: Is that direct towards Community Facility Program?

(Jennifer Gilfore): Yes.

Male: Well, the fiscal year to fiscal year the financial health of an entity changes. And so, you know, it's generally required that we request a financial feasibility study for every project that we do.

Bill Finerfrock: Is there a timeframe though if you were to do within a certain period of time of one project where it might be able to suffice or it's - even it was only three or four months separated you would still require a new feasibility?

Male: I think if it was that close I don't think we would require one. But I would leave that to the discretion to the folks in our state office who's actually underwriting that loan.

Bill Finerfrock: Okay. Okay. All right. Other questions, operator?

Operator: And there's two more in the queue at this time. Caller, please go ahead.

Bill Finerfrock: Hi, caller.

(Margie Joy): Thank you, my name is (Margie Joy), I am calling from Meeker, Colorado in the Northwest part of the state. And my question is in regards to the CF direct loans - the four year mortgage.

Is there a penalty for early pay-off?

Bill Finerfrock: There's not.

(Margie Joy): There's not and so, are you - but you cannot do it as a balloon payment because aren't those two different things?

(Aaron): A balloon payment is two different things I mean we - ((inaudible)) payments. It's, you know, pay off. If you can pay it off and we can graduate the loan. Well, I guess graduation is different. But if you can pay the loan off before the 40-years is up we have no problem with that.

(Margie Joy): All right, great, I appreciate that. Thank you guys for taking the time to visit with us.

(Aaron): I will add if you can demonstrate that you have the ability to pay, you know, a loan off sooner than 40-years then we probably wouldn't amortize the loan all the way out to 40-years.

Bill Finerfrock: So 40 is your maximum - as far out as you can go but...

(Aaron): Forty-years is our maximum, that's, you know, if a community needs to go out that far we will - we don't encourage it because, you know, if things do go wrong it gives us a little wiggle room during the life of the loan to actually re-amortize the loan to give the entity a little breathing room if necessary.

So if we don't have to go out to 40-years we won't.

(Margie Joy): Okay, wonderful. Thank you.

Bill Finerfrock: Next question, operator.

Operator: And we'll go to the final question at this time. Please go ahead caller.

(Ann Chipman): Hi, this is (Ann Chipman) I'm calling from Bowling County Mental Health Center in South Alabama. Actually I'm in (Fair Hope) and we have clinics all over the county because it's so large.

The question I'm really asking is like three parts. I just heard about this conference call by word of mouth. I'd like to get the email address that you gave at the beginning, the Web site. And then how do we get in touch with (Aaron Morris) because I don't have slides - I'm just listening.

Bill Finerfrock: Well, if you send an email to info, I-N-F-O, at N-A-R-H-C.org.

(Ann Chipman): Okay.

Bill Finerfrock: We'll send you the slides. And then you will have (Aaron's) contact information in those slides.

(Ann Chipman): Okay.

Bill Finerfrock: Or their available for download on the health resources and services administration's Web site. And I gave that email address out at the beginning of the call.

(Ann Chipman): Yes, but you talk fast and I'm in South Alabama.

Male: And man I'm...

(Ann Chipman): ((inaudible)) forward slash and then I don't know after that, I'm sorry.

Male: Ma'am I'll do you one better because I work with Alabama a lot.

(Ann Chipman): Okay.

Male: I will be ((inaudible)) the community facilities director in Alabama right now.

(Ann Chipman): Okay.

Male: That number is - he's out of Montgomery.

(Ann Chipman): Okay.

Male: His name is (Allen Bowen).

(Ann Chipman): Okay.

Male: His number is 334.

(Ann Chipman): Okay.

(Aaron): 279.

(Ann Chipman): Okay.

(Aaron): 3617.

(Ann Chipman): All right, I'll give Mr. (Bowen) a call.

(Aaron): All right.

(Ann Chipman): Great, thank you.

Bill Finerfrock: Do you have a specific question or you just wanted that information?

(Ann Chipman): No, that was it. I was just trying to gather information.

Bill Finerfrock: Okay.

(Ann Chipman): Thank you.

Bill Finerfrock: There was an email question in about the grant application but I think it could also be for the loan application. About how long should folks anticipate the application process taking?

So they're trying to, you know, plan out for a project. And they want to pursue either a business in industry or community facilities. How long does the process take till they would get word on approval for a loan?

Male: ((inaudible)) .

Bill Finerfrock: And I guess ((inaudible)).

Male: ((inaudible)) the CF program, you know, once we have a completed application - that's usually what takes the longest amount of time is actually getting to the point where you have the complete application where the environmental is complete. The financial feasibility study is completed. And all the other, you know, you know, approvals that are needed to get to the point where you have a completed application.

Once there's a completed application for a loan, I don't think it should - it shouldn't take longer than 45-days to determine whether the project will be approved or not.

Bill Finerfrock: All right.

Female: For the B&I program it's very similar, once we have a complete application which would include, you know, the feasibility study and all the forms that are required.

It typically would be 30 to 60 days. We do have an environmental review process though that does tend to slow the process down especially if there's things of an environmental nature on the property. Whether it be bald turtles or Indian historical sites things like that.

So that can delay it past the 60 days but I would say typically 30 to 60 days.

Bill Finerfrock: Okay. One of the earlier calls, callers or questions mentioned the fact that they had to spend money towards a feasibility study. There was some discussion I think (Brenda), in your project where there's an initial guarantee fee of 2 to 3%.

But those monies that can folded into the loan itself so, an organization for example that wanted $100,000 would actually go in and ask to borrow $130,000 in order to cover those additional costs?

(Brenda): For the B&I program, yes.

Bill Finerfrock: For Business and Industry - so you just fold that into the loan. And then pay that out over the course of the loan?

(Brenda): Yes, for the guarantee fee, feasibility study, appraisal fees, design fees if it's a construction project - all of that can be rolled in.

The annual renewal fee, however, it cannot because it's charged annually. And it typically is part of the lender's interest rate. So if the lender's going to charge prime plus one and then they need to account for that 0.25%, the interest rate would likely prime plus .25 - 1.25, I'm sorry.

Bill Finerfrock: Prime right now?

(Brenda): Prime is 3.25 or 3.50 - I could look it up.

Bill Finerfrock: No, that's fine. But so prime plus 1 would be 3.25, 3.50 plus 1% so a 4.50% loan plus another .25% somewhere maybe in about a 4.75% for the business and industry compared to about a 3.75% for the community facilities.

Both still very attractive loan interest rates.

Female: Yes.

Bill Finerfrock: Operator, have we gotten any more questions?

Operator: Yes we do have two more questions in the queue, caller please go ahead your line is open.

Bill Finerfrock: Go ahead, caller.

(Jamie): Hi, my name is (Jamie) and I'm calling from St. Mary's Hospital in Centralia, Illinois. We're a not-for-profit hospital. And I was just - had a few questions on the grant.

What kind of, like, restrictions for the use of that monies are there?

Male: CF grant program the - it's basically the same requirements as the CF loan program although the grant program is weighted towards smaller communities with lower median household incomes.

(Jamie): Okay.

Male: The more rural a community is and the smaller the median household income the more priority that application will receive in that office - the more likely it'll be funded.

(Jamie): Okay, and then like as far as say, we would get the grant. What - is there any restrictions on what we could use it for? Like does it have to be in health IT or does it have to go towards, you know, construction or...

Male: Whatever you demo-, you determined that - whatever you're requesting the grant funds for that's what it would have to be used for. So if it was towards equipment you'd have to put the funds towards the equipment. If it was for repairs in the clinic then you would use it towards the repairs. There's no ((inaudible)) , you know.

As long as it's an eligible community facility and as I said earlier, you know, the facility is the actual project being funded. As long as it's an eligible purpose there's no restrictions as to what you can use the funds for.

(Jamie): Okay. And then my last question is is there an application on line? Or how do I get an application for the grant programs?

Male: It'd be on grants.gov.

(Jamie): Grants.gov, okay.

Male: ((inaudible)) program, yes.

(Jamie): All right, I think that's all my questions. Thank you.

Bill Finerfrock: Thanks, (Jamie), operator we'll take the next question.

Operator: We do have one more question. Please go ahead, caller.

Bill Finerfrock: Go ahead, caller.

(Wendy): Hi, my name is (Wendy) from Mt. Union, Pennsylvania. We are a rural health clinic. And I am interested in the non-profit loan program. My question is we were previously owned by a hospital which we were affiliated with. There was a buy-out - a change of ownership. The collateral on our actual assets is held by them although we control and have ownership of our practice.

What type if any options are there if collateral is an issue? Do you base that recommendation and requirement on your accounts receivables? I understand you need a feasibility study and the environmental process. But how else would you look at that if at all?

(Brenda): Well, for the business and industry guaranteed loan program we would expect the loan to be fully secured. We like to see fixed assets as collateral which would be the building, the machinery and equipment, that kind of thing.

Only inventory and receivables are used to secure working capital loans only or if there's a small collateral shortfall for the fixed assets we can take inventory and receivables.

But we wouldn't - we wouldn't use inventory and receivables to secure say a machinery and equipment loan or a construction loan.

(Wendy): Actually I believe you're with the for profit loan program. We are a non-profit.

Bill Finerfrock: Yes, you're a non-profit or a for-profit?

(Wendy): Non-profit, 501C3.

Male: It would be the same for us. We would like to see our loans fully secured and that would be the real estate or some - there'd have to be some type of real estate security or revenue bonds. Some sort of - some sort of strong security to...

(Wendy): You would become the first lien holder?

Male: Yes, we would.

(Wendy): Okay, because basically we are built by a community and managed by a non-profit staff, obviously. And everything reverts back to our borough which becomes the municipality but they have a shared risk basically. So that's been our issue. We don't own the collateral. We lease it. We can't get that release d to us and we are in need of supporting, you know, funding for, like, electronic records and that kind of thing.

That we've already initiated off of a credit line that we had obtained.

Male: There are probably ways to work with the municipality. If you contact me later this week, I'll put you in contact with the folks in Pennsylvania who'll probably be able to help you a little bit better than I can.

(Wendy): Okay, and I can reach you through the link on the email regarding this announcement for this conference call?

Bill Finerfrock: No.

Male: I believe my contact information...

Bill Finerfrock: The slides, (Wendy).

(Wendy): I don't have any slides available to me.

Bill Finerfrock: Send me an email, I-N-F-O at N-A-R-H-C. And I'll send you the slides and it'll have (Aaron's) contact information in there.

(Wendy): All right, thank you.

Bill Finerfrock: And for any of the individuals who are on the call who got it through a secondary source. As I mentioned at the onset, these are bimonthly calls that cover topics of interest to rural health clinics, rural providers. It's focused on rural health clinics. And if you'd like to get on the distribution list just send an email to I-N-F-O at N-R-A-H-C dot org. And indicate that you'd like to be on the RAHC TA list serve and we will get you added so that you get announcements on future calls.

A recording of today's call and a transcript of it will be available on the Office of Rural Health Policies Web site which I'll give that address again. As well as recordings of previous calls, transcripts and slide from previous topics that we've covered through this - through this project.

Let me just go ahead and give you that address now for the Health Resources and Services Administration's Web site. It's www.hrsa.gov/ruralhealth -- that's one word -- /policy/confcall/index.html. And hopefully for our friends down in Alabama I didn't go too fast for you guys. That's my Mid-Atlantic Philadelphia Washington DC speech pattern and I apologizes for that.

But if you - or as I said if for reason didn't get that just send me an email to info@narhc and tell what you didn't get and we'll get you the information through a link I'll send to you electronically.

Do we have any other questions, operator?

Operator: Just a final reminder folks that's star 1 for questions.

Bill Finerfrock: We have our speakers for a few more minutes if we do have some questions. If something that's come up that's stimulated a question, please don't be shy. Take advantage of the opportunity.

I think (Aaron) you mentioned that there are state agencies and entities that folks can work through that you really on. You have a state contact for each of the states, is that correct?

(Aaron): Well, yes, this is just our rural development offices in every state. And there's a community facilities program director.

Bill Finerfrock: And what about for business and industry? Do you have a similar state based distribution or contact?

(Brenda): Yes, it's - a lot of them are actually co-located with community facilities and the service centers in the local areas.

Bill Finerfrock: And they would aid - they would be able to direct them as to whether or not it'd be a community facilities initiative or a business and industry initiative?

(Brenda): Yes.

Bill Finerfrock: Okay.

(Brenda): And actually in the slides for the B&I program - I'm trying to count them, bear with me. The fourth slide it gives a link for all of our state offices.

Bill Finerfrock: Okay.

(Brenda): All 47 of them and that would include the folks in CF too.

Bill Finerfrock: Okay. And you indicated in some of your smaller states they are dual offices. They have a couple of states are combined which is why there's only 47 states.

(Brenda): Correct.

Bill Finerfrock: Okay, all right. Operator have we gotten anymore questions?

Operator: Actually we do have two more questions in queue, we'll take the next on line, please go ahead caller - your line is open.

(Alisa): Hi, this is (Alisa) from Mt. Shasta, California and you mentioned earlier that a grant application could be found on grants.gov. Do you have any other information on how to find the application like an announcement number or anything like that?

(Aaron): Good question, I do not - need to find a link. I think if you just typed in community facilities grant program on grants.gov you should be able to find it.

(Alisa): Okay. And the agency would be USDA?

(Aaron): It would be.

(Alisa): Okay, all right, thank you.

Operator: And we'll take the next question, please go ahead caller.

(Deb Prinze): This is (Deb Prinze) from the (Primisery) Clinic in Iowa. And actually the last caller had the same question that I had so thank you.

Bill Finerfrock: Okay, anyone else out there?

Operator: And at this time we have no further questions in queue.

Bill Finerfrock: Okay, well I want to thank our friends from USDA for taking the time to be with us here today. To talk to us about both the business and industry and community facilities programs. I think we've had some great questions.

And hopefully you've learned some stuff about programs that you weren't previously aware of. And it's given you some ideas about how to go about trying to secure financing for some of the improvements that you want to make either in the physical structure of your rural health clinic or for the purchase of equipment.

Particularly as I hope you heard a desire to work with folks with respect to getting money for EHR Health Information Technology.

So thank you, (Aaron) and thank you (Brenda) for taking the time to be with us today.

As you mentioned earlier a transcript from today's presentation will be available at the Office of Rural Health Policy Web site hopefully in the not too distant future. We have to go through an edit and so forth. Sometimes it takes a little bit of time to get that done.

I want to remind participants to encourage others who may be of interest - have interest in this area to register for the RAC technical assistance series. I've given out that Web site a couple of times but if for some reason you didn't get it and you still want more information - send me an email at info@narhc.org and put RHCTA in the subject line.

If you have ideas for future topics, please send those to the same email address and we'll see about trying to get a topic or a speaker lined up for a topic of interest to you.

Our next Rural Health Technical Assistance Call has not been set yet. Hopefully it'll be next month. We are looking at trying to get a speaker to talk to us about how to get translational services more readily available.

So if you have individuals who come into your clinic who are non-English speaking or who have other language barriers how to effectively, cost effectively, make translational services available.

And hopefully we'll have something to announce on that in the near future. And a notice will go out via our email distribution when that call is set up.

Again, I want to thank everyone for participating and hope you have a great day and a wonderful rest of the week. Thank you.

Operator: And again, ladies and gentlemen, this does conclude today's conference call. Thank you all for your participation. You may now disconnect.

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