



Rural Development

RD AN No. 4864 (3575-A)  
December 18, 2018

Joel C. Baxley  
Administrator

Rural Housing Service  
1400 Independence Ave, SW  
Room 5014-S  
Washington, D.C. 20250

Telephone: (202) 692-0268

TO: State Directors  
Rural Development

ATTN: Community Programs Directors

FROM: Joel C. Baxley /s/ *Joel C. Baxley*  
Administrator  
Rural Housing Service

SUBJECT: Administrator Exception Authority for Single Member Corporations  
Community Facilities Guaranteed Loan Program

**PURPOSE/INTENDED OUTCOME:**

This Administrative Notice (AN) is being issued to provide guidance on when the State Director may request exception authority from the Administrator for a single member corporation to be an eligible borrower under the Community Facilities (CF) Guaranteed Loan Program.

**COMPARISON WITH PREVIOUS AN:**

No previous guidance has been issued.

**IMPLEMENTATION RESPONSIBILITIES:**

Eligibility of CF Guaranteed Loan Program borrowers is outlined at 7 CFR 3575.20 (c). As stated in paragraph (c)(2), single member corporations or corporations owned or substantially controlled by other corporations or associations are not eligible. The intention of this regulatory language is to prohibit these types of corporations because they cannot meet the borrower eligibility requirement found at paragraph (c)(3) which requires, in part, that an organization has broadly based ownership and is controlled by members of the community.

EXPIRATION DATE:  
December 31, 2019

FILING INSTRUCTIONS:  
Preceding RD Instructions 3575-A

CF has encountered several instances where the sole member of the single member corporation is a nonprofit with broadly based ownership and controlled by members of the community. For these types of single member corporations, CF may consider the organization eligible to participate in the CF Guaranteed Loan program under certain circumstances. Specifically, single member nonprofit corporations or corporations owned or substantially controlled by other corporations or associations may be considered eligible if the member organization is otherwise eligible and provides a guarantee.

Example 1

Applicant	ABC Medical Center (nonprofit)
Applicant's sole member	ABC Healthcare (nonprofit)
Applicant and sole member's governing body	ABC Medical Center's Board of Trustees
ABC Medical Center's Board of Trustees' qualifications	County Commissioner, Chief Medical Officer, remaining members from the Medical Center's service area.
In this example the applicant and its sole member have identical board members. The board members represent a broad based ownership with the applicant being controlled by members of the community. The sole member, ABC Healthcare, meets the criteria to be an eligible CF applicant. If ABC Healthcare also provides a guarantee, the Agency may consider ABC Medical Center an eligible applicant under the CF Guaranteed Loan Program.	

Example 2

Applicant	Accel Academy K-12 (nonprofit)
Applicant's sole member	Accel Charter School System (nonprofit)
Applicant's governing body	Accel Charter School System Board of Trustee Vice Chair, Accel Academy CEO, 3 members of the Accel Charter School System's Board of Trustees Executive Committee
Accel Charter School System's Board of Trustees' qualifications	9 members – three members from each of the 3 communities served by Accel Academy K-12.
In this example the applicant's governing body is made up of members of the sole member's Board of Trustees. The board members represent a broad based ownership with the applicant being controlled by members of the community. The sole member, Accel Charter School System, meets the criteria to be an eligible CF applicant. If Accel Charter School System also provides a guarantee, the Agency may consider Accel Academy K-12 an eligible applicant under the CF Guaranteed Loan Program.	

All exception requests for single member nonprofit corporation eligibility need to be made in writing in accordance with 7 CFR 3575.17. The request must be supported with documentation to explain the adverse effect on the Government's financial interest, proposed alternative courses of action, and show how the adverse effect will be eliminated or minimized if the exception is granted.

If you have any questions about these requirements or how to submit an exception request, please contact your regional Asset Risk Management Specialist.