

## Farm Assistance Program Helps to Expand Health Care in Rural Communities

### THE IMPORTANCE OF RURAL ECONOMIC COMMUNITY DEVELOPMENT

During the Great Depression the Department of Agriculture formed the Farmers Home Administration (FmHA) in order to help farmers maintain viable farming operations. As the Administration grew, it expanded its mission and purpose, creating non-farm programs to benefit families and communities in rural areas. The Administration developed a community facility loan program which makes direct low interest loans (5-6%) or guarantees loans made by private lenders for equipment purchases and the construction or renovation of community facilities for public use (such as health facilities) in rural areas and towns of less than 20,000 people. FmHA recently changed its name to Rural Economic and Community Development (RECD) but its mission is still the same.

Facilities that receive loan assistance must be public entities or non-profits. In order to receive assistance, borrowers must be unable to obtain needed funds from other sources at reasonable rates

and terms; have legal authority to borrow and repay loans, to pledge security for loans, and to construct, operate and maintain the facilities or services; and be financially sound, and be able to organize and manage the facility effectively. RECD also provides technical assistance to applicants, helping make the first determinations regarding engineering feasibility, economic soundness, cost

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**Mike Sullivan  
Executive Director, MFHC**

estimates, organization, financing, and management matters that are connected with the proposed improvements.

One NACHC member, Merced Family Health Centers, Inc., (MFHC) based in Merced, CA, owes its existence to these loans. Back in 1980 Merced was operating out of a storefront with visions of building a clinic but didn't have the capital. Traditional funding was not an

option for MFHC. Even when they could “get past the door of the local bank manager,” it would be very difficult, recalls Sullivan. He explains that the center's federal grant funding was not the kind of security that private banks normally wanted to see unless there was somebody else guaranteeing the loan. Consequently, private

banks were “very, very reluctant to provide capital.”

Sullivan heard about RECD's community facility loan program from the Bureau of Primary Health Care of the Department of Health and Human Services, and turned to RECD for help. Sullivan says that RECD was a very attractive alternative to banks. Not only did it provide access to capital that community health centers in rural areas traditionally did not have, but market rates typically were (and still are) double what RECD offered, requiring a significantly greater payback.

In expanding health care services to surrounding communities in need, Merced Family Health Centers, Inc. has turned to RECD a number of times since 1980. Their first loan, for \$450,000, enabled MFHC to construct a 5,000 square foot medical/dental clinic in Los Banos. In 1985, MFHC obtained another loan for \$340,000 which enabled them to build a center in Planada, another community with a large farmworker population. Finally, in building its facility in Patterson, the center again tapped into RECD, this

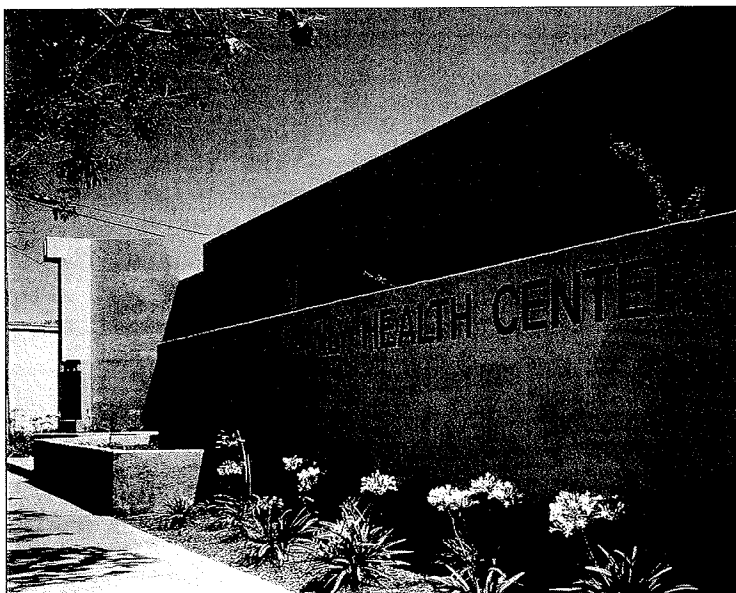
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**Doug Colucci  
Assistant Director  
Stockton District Office, RECD**

time receiving a direct loan for \$202,500 and a loan guarantee for \$347,353.

The process of applying for a RECD loan is similar to a grant application, says Sullivan: “You do have to prove need, you do have to show financial viability so you have to do some revenue projections. It's not easy. It's a bit of a bureaucracy, but for a rural community health center that has a tough time getting capital it's a great way to do it.”

MFHC now operates ten clinics. Sullivan truly feels that without these



**In 1985, a RECD loan helped build this center in Planada**

loans MFHC would not be as successful as it is today: "Our corporation is a much larger corporation than it was in 1980. Because we have been able to be successful and build clinics, it was the leverage that boosted us to see more patients and to acquire more non-grant revenue so now, in truth, I can probably go to a local bank and show a pretty good balance sheet and I suspect I could get a loan. But if we had not had that early funding opportunity with Farmers Home...I don't think we would have been able to be as successful in our facilities development as we now are."

Doug Colucci, assistant district director of RECD's Stockton District office, notes that MFHC has been one of the

more successful loan recipients in the RECD program which he attributes to the fact that "they had a vision and a goal and they knew where they wanted to go and what they wanted to do."

The RECD covers every state in the nation with 46 state offices, 1,900 county offices, and more than 200 district offices. Programs are handled through each district office. Each state is allocated money on an annual basis. There seems to be no cap on community facility loans (Colucci notes that they have provided loans of up to \$12 million). However, loans of that size need to be approved by the national office.

The ultimate goal of the loans is to assist rural areas and elevate the quality of life. "In order to have a viable community

you need infrastructure," observes Colucci. "In California the rural health centers bridge the gap between going into the larger cities and providing the care locally where those people live and I think people feel more comfortable having a physician in their community that they can go to."

For more information on RECD loans, contact your local district office. Office locations can usually be found in the telephone directory under "U.S. Government, Department of Agriculture." (RECD may still be listed as the Farmers Home Administration.) Office locations may also be obtained by writing to Rural Economic Community Development, U.S. Department of Agriculture, Washington, DC 20250. **LINK**