



**Rural Development**

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RD AN No. **4876** (1942-A, 1942-C,  
1951-C, and 1956-C)

April 16, 2020

**TO:** State Directors  
Rural Development

**ATTN:** Community Programs Directors

**FROM:** Bruce W. Lammers /s/ *Bruce W. Lammers*  
Administrator  
Rural Housing Service

**SUBJECT:** Payment Deferral Guidance  
Community Facilities Direct Loan Program

**PURPOSE:**

This Administrative Notice (AN) is being issued to provide guidance on payment deferral evaluations on Community Facilities (CF) Direct Loan accounts governed by RD Instructions 1942-A, "Community Facility Loans," and 1942-C, "Fire and Rescue Loans." Rural Development's (RD) goal is to provide more flexible servicing options to help our borrowers that are experiencing temporary cash flow issues due to the Coronavirus (COVID-19) pandemic. One of those flexibilities is to offer some relief to CF borrowers required to make loan payments to RD. CF will provide the option of principal and interest payment deferrals to borrowers impacted by COVID-19 for a period no longer than one year from the date the original payment is due on a case-by-case basis. This guidance applies to CF borrowers that had a current repayment status as of March 1, 2020 and expires on September 30, 2020.

**EXPIRATION DATE:**  
September 30, 2020

**FILING INSTRUCTIONS:**  
RD Instructions 1942-A, 1942-C,  
1951-C, and 1956-C

**COMPARISON WITH PREVIOUS AN:**

This AN is new and, and therefore, does not rescind any other ANs.

**IMPLEMENTATION:**

It is intended that CF staff will provide the option of payment deferral only if requested by the borrower and after the staff conducts a due diligence review. The borrower should have also acted in good faith with regards to complying with its loan agreements and Agency regulations. When possible, the reserve account should be used to make loan payments prior to approval of the deferral.

Borrowers that are delinquent prior to March 1, 2020 will continue to be serviced under RD Instruction s1951-E, "Servicing of Community and Insured Business Program Loans and Grants," and 1956-C, "Debt Settlement - Community and Business Programs."

**EVALUATIONS:**

State Office staff should ensure the following before entering into an agreement with a borrower to defer principal and interest payments:

1. Credit Counseling - Discuss the borrower's financial challenges and the payment deferral option to ensure there is an understanding that interest may still be accruing on the account and that interest may not be waived by RD at the end of the deferral period;
2. The borrower has demonstrated that they have experienced a hardship such as: a loss of income, reduction in hours, or illness that impacts their ability to make their payment to RD;
3. The borrower has provided documentation, such as but not limited to: a statement of cashflows or current income and expenses approved by an official of the borrower, a statement of temporary closure approved by an official of the borrower, or a proclamation or order from a government entity requiring temporary closure or significant reduction of facility operations. The documentation must substantiate the narrative provided under item #4;
4. The borrower's request should include a narrative on how the pandemic has impacted the operation of the facility and hindered cash flow and reflect that the circumstances were beyond their control;
5. The borrower has provided a proposed operations plan to address scheduled loan repayment at the end of the agreement. The proposed plan can include reamortization of the remaining payments within the original loan term after the deferral period expires;
6. The borrower has completed a workout agreement which includes the specificity of the payment deferral agreement and includes that RD will waive certain remedies; such as not reflect the loan delinquent nor charge the borrower late fees;

7. The borrower was current on their account as of March 1, 2020;
8. The borrower has been in compliance with the loan agreement and Agency regulations;  
and,
9. The option shall only be approved when the Agency has determined that this is the only feasible option and it is in the best interest of the Government.

The State Office will transmit the signed workout agreement to the Finance Office for processing.

**AUTHORITY:**

The State Director has the authority to approve the payment deferral on loans where the aggregate balance of principal and interest on the loan is \$10 million or less. Any loans over that amount will require Administrator approval.

The State Director will provide a weekly report to the Deputy Administrator, Community Facilities Program listing the borrower name, outstanding principal and interest balance, number of payments deferred, dollar balance of payments deferred and the length of the deferral.

**SUMMARY:**

If you have any questions regarding the information in this AN, please contact Anita Outen, Community Programs at (202) 720-1497 or via email at [Anita.Outen@usda.gov](mailto:Anita.Outen@usda.gov).