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DEPARTMENT OF AGRICULTURE

Rural Utilities Service

7 CFR Part 1779

Rural Housing Service

7 CFR Part 3575

Rural Business-Cooperative Service

7 CFR Part 4287

Rural Development Guarantee Loan Servicing Flexibilities to Address Coronavirus

2019 Impacts

AGENCY: Rural Business-Cooperative Service, Rural Housing Service, and Rural Utilities Service, USDA.

ACTION: Notification.

SUMMARY: The Rural-Business Cooperative Service (RBCS), Rural Housing Service (RHS), and Rural Utilities Service (RUS) agencies of the Rural Development mission area, hereinafter referred to as Agency, issued a notification in the Federal Register on March 31, 2020, that allows lenders with guaranteed loans with the Agency to unilaterally offer payment deferrals for the period specified in the notice to their customers who may be experiencing temporary cash flow issues due to the Coronavirus (COVID-19) pandemic. This notification supplements the prior notification and includes

additional servicing flexibilities regarding Agency guaranteed loan requirements as they relate to the new loans that are covered by Section 1102 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

DATES: The policies included in this notification are effective as of March 31, 2020, and the temporary authorization expires on September 30, 2020.

FOR FURTHER INFORMATION CONTACT:

- Guarantee Lenders may contact the following Rural Development points of contact: RBCS, Aaron Morris, Director, Program Processing Division, 202-720-1501, Aaron.Morris@usda.gov; for RHS, Deborah Jackson, Director, Guaranteed Loan Processing and Servicing Division, 202-720-8454, Deborah.Jackson2@usda.gov; for RUS, Darrel Lipscomb, Water and Environmental Programs, 202-617-0857, Darrel.Lipscomb@usda.gov
- Borrowers with a loan guaranteed by Rural Development must contact their servicing Guarantee Lender for further information.

SUPPLEMENTARY INFORMATION: Through this notification Rural Development expands servicing flexibilities on four guaranteed loan programs to enable lenders to better assist rural business, water, and community facility borrowers in responding to the economic impacts of the COVID-19 pandemic.

Lender Deferrals on Loan with USDA Guarantees

On March 31, 2020 , the Agency announced in the Federal Register at 85 FR 17721 that beginning March 31, 2020, and through September 30, 2020, the USDA Business and Industry (B&I) Guaranteed Loan Program, Rural Energy for America

Program (REAP), Community Facilities Guaranteed Loan Program, and Water and Waste Guaranteed Program lenders may assist borrowers experiencing temporary cash flow issues resulting from the COVID-19 pandemic, by deferring payments for a period no longer than 180 days from the date the original payment is due. In accordance with 7 CFR 4287.107 (RBCS), 7 CFR 3575.69 (RHS), and 7 CFR 1779.69 (RUS), the lender is responsible for servicing the entire loan and for taking all servicing actions that a reasonably prudent lender would perform in servicing its own portfolio of loans that are not guaranteed

The lender must notify the Agency in writing of any payment deferments. Written notification to the Agency will meet the standard for concurrence until September 30, 2020. After September 30, 2020, lenders must resume obtaining Agency approval in accordance with all applicable program regulations, forms, and existing authorities. This guidance applies to all borrowers that had a current repayment status as of January 31, 2020.

If the loan has been sold on the secondary market, the secondary market holder and lender must agree to the deferment actions being taken. The Agency will expect a written deferral agreement signed by both parties in these instances prior to executing any payment deferral action. A copy of the deferral agreement must be provided to the Agency.

The Agency does not consider a loan that is under a deferral or forbearance agreement to be a delinquent loan. Unpaid interest accruing during a deferral or forbearance agreement is not subject to the limitation of the guarantee of accrued interest under 7 CFR 4287.145(d) (RBCS), 7 CFR 3575.3 (RHS), nor 7 CFR 1779.3 (RUS).

Lender Notification of Loans Under the CARES Act (Pub. L. 116-136)

This notification expands upon the deferral flexibilities announced in the March 31, 2020, Federal Register notification by providing that lenders may also approve and make covered loans under the provisions of Section 1102 of the CARES Act.

The lender must notify the Agency in writing of any covered loans made under Section 1102 of the CARES Act. Written notification to the Agency will meet the standard for concurrence until September 30, 2020. After September 30, 2020, lenders must resume obtaining Agency approval in accordance with all applicable program regulations, forms, and existing authorities.

Bette B. Brand,
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Rural Development.

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