

Guidance for CDCs regarding Deferments

March 17, 2020

NADCO has been working through all of the current guidance on deferments out there to help CDCs work thru this difficult time period. Below are items that we have compiled to help CDCs that are unfamiliar or need a refresher with the process for deferments and catch-up plans. NADCO is in communication with SBA and the Central Servicing Agent (CSA), and we will keep members informed if any new guidance is issued.

NADCO has been in contact with the CSA who has assured NADCO that they are ready to assist CDCs. Additionally, the deadlines provided within the CSA Manual are processing deadlines and if a CDC missed this month's deadline they can still have the retroactive deferment processed the following month. The CSA can retroactively change the deferment date to go a number of months back. For example, retroactive deferments processed over the next couple months can be made effective in January or February of 2020. So even if a CDC misses the deadline this month, they can still ultimately get the deferment to be effective for the desired date.

Guidance from CSA Manual, pg. 51-54

4. Deferments and Catch-Up Plans

A. Deferment Basics:

1. Deferments are described in Chapter 12 of [SOP 50 55](#).
2. Deferments are employed as a solution to a temporary problem impacting a borrower's ability to make loan payments. A deferment is not appropriate when it is apparent the borrower's financial difficulty is so severe that a deferment would only prolong the potential acceleration of the loan.
3. The amount deferred may include full or partial payments.
4. Partial payment deferments may be structured so that the borrower pays fees only, fees plus interest, or a specified dollar amount. When structuring an amount, the CDC should ensure the amount is sufficient to pay at least one entire fee amount, as partial fee payments cannot be paid.
5. Deferments 6 months or less cumulative over the life of the loan: may be granted unilaterally by CDC's. The SBA Servicing Center must be notified but SBA approval is not required.
6. Deferments more than 6 months cumulative over the life of the loan: may be granted unilaterally by PCLP CDC's. Non PCLP CDC's must obtain approval by the SBA Servicing Center.
7. The CSA must receive deferment requests no later than the 20th calendar day of the month or the business day prior, to be effective for the upcoming month.

B. Catch-up Plan Basics:

1. As of January 2016, CDC-calculated catch-up loans are no longer accepted by the CSA. CDC's must request a CSA-calculated catch-up plan by following the Deferment and Catch-up Request Process described in the next section.
2. The Catch-up plan is an estimate that will provide details of how the borrower will repay the deferred principal amount and all accrued interest, servicing fees, and late fees. It will specify payment amounts and the time

period for paying back the deferred amount so the borrower is back on schedule with the original Note Amortization Schedule as per the agreed upon timeframe.

3. The catch-up period should be within 10 years or prior to the maturity date of the loan, whichever is earlier.

4. Catch-up plans can take two forms-Standard or Step-up.

a. Standard: the CSA calculates the catch-up amount for the entire Catch-up period.

b. Step-up: the CDC provides a catch-up payment amount for a specific time period, and the CSA calculates the final catch-up payment amount for the remainder of the Catch-up period.

5. A Catch-up plan cannot be a lump sum balloon payment to be paid at the end of the catch-up period.

C. Deferment and Catch-up Request Process: To make a Deferment and Catch-up request to the CSA, the CDC must follow the process detailed below. All documents should be sent to SBA504CSA@wellsfargo.com.

1. CDC completes the CDC 504 Deferment and Catch-up Form, which is available on the homepage of CDC Online. ([Click here to access form](#))

2. CDC emails the completed form to the CSA, along with any other documentation and SBA approval, if applicable.

3. CSA processes the form and sends the calculated Catch-up plan to the CDC.

4. CDC Representative and Borrower both review and sign the calculated Catch-up plan.

5. CDC sends the signed Catch-up plan to the CSA.

6. CSA completes final processing of the Catch-up plan and sends confirmation to the CDC.

D. Instructions on Completing the CDC 504 Deferment and Catch-up Form: CDC must send the completed CDC 504 Deferment and Catch-up Form to the CSA, along with any other relevant documentation and SBA approval, if applicable.

1. CDC must include loan number, date, and CDC number.

2. CDC must complete section 1 to affirm if SBA approval is required by checking "Proof of SBA approval has been provided" or "N/A". If SBA approval is required, it must be attached to the request form.

3. CDC must complete section 2 by checking the type of Deferment (Full or Partial), entering the deferment time period(s), and the partial deferment payment amounts (only for partial deferments).

4. CDC must complete section 3 by checking the type of Catch-up (Standard or Step-up), entering the Catch-up time period(s), and the Catch-up payment amounts (only for Step-up Catch-ups).

5. CDC should complete section 4 to notify the CSA to waive late fees by checking the first box and entering the amount desired to be waived.

6. CDC should complete section 5 to notify the CSA of any additional information. CDC should comment if the request is a Catch-up revision request or a Retroactive Deferment.

E. Deferment and Catch-up Deadlines:

1. CSA must receive Deferment requests no later than the 20th calendar day of the month or the business day prior, to be effective for the upcoming month.

2. CSA must receive retroactive Deferment requests by the 15th calendar day of the month or the business day prior, to be effective for the upcoming month.

3. CSA must receive signed Catch-up plans by the 15th calendar day of the month or the business day prior, to be effective for the upcoming month.
4. Any changes to the ACH information must be submitted by the CDC in ETRAN Servicing by the 15th calendar day of the month or the business day prior, to be effective for the upcoming month.

F. Continuous Monitoring: it is the responsibility of the CDC to monitor the borrower's compliance with the Catch-up plan.

1. CDC is to verify that the total monthly payment paid by the borrower and the remaining balance after the payment is applied matches the Catch-up plan every month. The CDC Online Loan Detail screen can be utilized for verification.
2. Loans on Catch-up status will automatically revert to Active-Delinquent status if a borrower payment is less than the catch-up payment amount per the catch-up plan, or is not received 2 business days prior to month end.
3. CDC must email the CSA to place the loan back on Catch-up status once the borrower remits the missed payment and it has posted to CDC Online.
4. Loans that do not adhere to the Catch-up plan payment schedule will accrue additional interest and new Late Fees causing the original Catch-up plan to be inaccurate.
5. Late Fees will be assessed on the 16th calendar day of the month or next business day. Borrower payments must be received in full by the 15th calendar day or business day prior to avoid late fees.
6. CDC Online Late Fees Assessed report and the Status of Portfolio report should be utilized to monitor Late Fees.
7. CSA Status of Portfolio Report
 - a. During a Deferment, the loan will be displayed with a "D" in the last column of the report.
 - b. During the Catch-up period, the loan will be displayed with a "C" in the last column of the report.
8. Application of Catch-up payments - Payments will be applied in the following order:
 - a. Accrued fees in one-month increments, until current;
 - b. Interest in one-day increments until current;
 - c. Principal, until current; and
 - d. Late Fees in one-month increments (paid at the very end of the Catch-up period).
9. At the end of the Catch-up period, the CSA will amend the ACH debit amount to the regular monthly amount stated on the Catch-up plan. If a borrower is not on ACH, the CDC should advise the borrower of the adjusted payment amount. Note, if a borrower is not current on the 504 loan (either due to a Deferment, Catch-up, or ongoing delinquency) at the five (5)-year anniversary date, the servicing fees will be recalculated by the CSA based on the actual principal balance at the loan's five (5)-year anniversary date. The resulting fees and total payment will be higher for the next five (5)-year period compared to the original 504 Note Amortization Schedule.

Additional Resources:

[CDC - 504 Deferment and Catch-up Form](#)

[CSA Manual](#)

[NADCO TI Memo 15-20 SBA Notice 5000-20004: Deferment Guidance](#)

[SOP 50 55](#)

SBA Servicing Center email addresses:

Commercial Loan Service Center – Little Rock

LRSC.Servicing@sba.gov

Commercial Loan Service Center - Fresno

FSC.Servicing@sba.gov