NAC Procedural Notice Summary and Comments
March 26, 2020

504 Certifications of No Adverse Change for April, May and June 2020
SBA Procedural Notice 5000 – 20010
Summary written by: Todd Kobernick, Law Offices of Todd E. Kobernick and NADCO Closing Course Instructor

1. Applies to loans to be included in the April 15, 2020 debenture sale and those anticipated to be sold during the May and June, 2020 debenture sales.

2. **No Substantial Adverse Change.** CDC may determine, based on all appropriate information that the Covid-19 emergency does not constitute a substantial adverse change; CDC would complete SBA form 2101 with no changes, documenting this decision and retaining its determination in the CDC loan file.

3. **Substantial Adverse Change.** If CDC concludes the Covid-19 emergency is the "immediate and direct cause of a substantial adverse change in the borrower's ability to repay the 504 loan" the debenture sale may continue subject to the following conditions.

   a. The Covid-19 Substantial Adverse Change Remedy Certification and Agreement ("Covid-19 Agreement") is signed by the CDC, the Interim Lender, the Third Party Lender, and the Borrower (and Operating Company, if applicable).
   
   b. SBA Forms 2101, 2287, 2288 and 2289 are signed (as is presently required).

   c. Essential terms of Covid-19 Agreement:
      
      i. Immediately following the debenture sale, the CDC must grant a deferment on the 504 loan of all principal and interest for at least 90 days and up to 6 months.

      ii. Immediately following the debenture sale, the Third Party Lender must grant a deferment to the Borrower on the Third Party Loan of all principal and interest for at least as long as the period of deferment granted by the CDC on the 504 loan.

      iii. The Interim Lender, Third Party Lender and CDC must agree to make a good faith effort to assist the Borrower with additional remedial measures.

      iv. Borrower (and Operating Company, if applicable) must agree to use best efforts to seek out available sources of financial assistance as necessary to continue to operate.

      v. Borrower (and Operating Company, if applicable) has not filed a bankruptcy petition or other insolvency proceeding as of the date of the Agreement.
vi. Interim Lender certifies that Borrower (and Operating Company, if applicable) are current and not otherwise in default of the Interim Loan.

For 504 loans submitted for the April 15, 2020 debenture sale the Covid-19 Agreement must be submitted to SBA District Counsel for Review by Noon on Friday, April 3, 2020.

Comments:
1) Since this is a deferment, consider written consent to the Covid-19 Agreement by all Guarantors.
2) For May and June Loans, reference the Agreement in Section B of the Attorney Opinion Letter.
3) Request a copy of the TPL deferment agreement/document be given to CDC.