To: NADCO Members (Please disseminate to all appropriate personnel)

From: Rhonda Pointon, Chief Operating Officer, Regulatory Affairs/Training

Subject: SBA Procedural Notice: Deferment Guidance on 504 Loans for Businesses Adversely Affected by Coronavirus Related Economic Disruptions

Date: March 19, 2020

Today, the SBA published a Procedural Notice to assist CDCs in providing deferment relief to 504 Loan borrowers adversely affected by coronavirus related economic disruptions. SBA strongly encourages its lending partners to offer deferment relief. The following is guidance for CDCs in regard to deferments for 504 Loan borrowers with outstanding 504 Loans:

1. Applicability: This Procedural Notice applies to all 504 Loans, regardless of the location of the borrower, if the borrower has been adversely affected by COVID-19-related economic disruptions.

2. For 504 Loans with debentures outstanding that were in "regular servicing" status on March 12, 2020, CDCs will now have unilateral authority to:
   a. Grant up to a 6-month deferment of principal and interest payments to borrowers when the borrower can show it needs such relief as a result of COVID-19-related economic disruptions. The CDC must document in its files the basis for its determination that the borrower has been adversely affected by such disruptions.
   b. For 504 Loans that were not in "regular servicing" status on March 12, 2020, CDCs may not grant any deferment.

3. Deferments may be granted retroactive to the March 1, 2020 payment date. All deferments related to COVID-19-related economic disruptions must be granted on or before June 30, 2020.

4. The Central Servicing Agent (CSA) is authorized to process the deferment without obtaining the SBA Servicing Center Acknowledgment. CDCs must provide notice of any deferment to the appropriate SBA Commercial Loan Servicing Center and to the CSA within 24 hours after CDC approval of the deferment. The CDC has 10 business days from its approval of the deferment to obtain the Servicing Center Acknowledgement and provide it to the CSA.

5. The current financial information that a CDC is required to obtain before granting a deferment under SOP 50 55, Chapter 12, Paragraphs C. 1. and C.2., including the borrower's financial statements, business and personal Federal income tax returns, and the statement documenting the temporary nature of the cash flow problem, must instead be obtained, reviewed and analyzed by the CDC within six (6) months after the deferment is granted.

6. Payments are not required during the deferment period. However, voluntary payments are permitted.

7. Interest will continue to accrue during the deferment period.

8. The CDC must negotiate a Catch-up Plan within six (6) months after the date the deferment was granted.
9. The CDC must monitor the loan during the deferment period and notify the servicing center of any adverse changes on the loan.

Except as modified by this Procedural Notice, all other provisions of SOP 50 55 apply. For additional guidance regarding deferreds of 504 loans, please refer to SOP 50 55, Chapter 12 Deferments, pages 75-77.

NADCO will continue communication with SBA while monitoring the evolving coronavirus disease (COVID-19).

If you would like to access this TI Memo, or the SBA Procedural Notice via the NADCO website, please click below.

**TI Memo 16-20**
**SBA Procedural Notice 5000-20008**