



SBA Procedural Notice

TO: All SBA Employees, Certified Development Companies, and Third Party Lenders

CONTROL NO.: 5000-20008

SUBJECT: Guidance on Deferments for 504 Loans for Businesses Adversely Affected by Coronavirus Disease 2019 (COVID-19)-related Economic Disruptions

EFFECTIVE: March 19, 2020

SBA issued Information Notice 5000-20004 on March 10, 2019, to remind 7(a) Lenders, 504 program Certified Development Companies (CDCs), and Microloan Intermediaries of their current unilateral authority to provide temporary relief in the form of deferred payments to existing borrowers under certain circumstances. On March 13, 2020, President Trump declared the ongoing Coronavirus Disease 2019 (COVID-19) pandemic of sufficient severity and magnitude to warrant an emergency declaration for all states, tribes, territories, and the District of Columbia.

SBA strongly encourages its lending partners to offer deferment relief to borrowers that have been adversely affected by COVID-19-related economic disruptions, and is offering the following guidance to assist CDCs that want to provide deferment relief to such 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 Servicing Center Acknowledgment. CDCs must provide notice of any deferment to the appropriate 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 deferments of 504 Loans, please refer to SOP 50 55, Chapter 12.

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