TO: State Directors  
Rural Development  
ATTN: Community Programs Directors  
FROM: Tammye Treviño  
(Signed by Tammye Treviño)  
Administrator  
Housing and Community Facilities Programs  
SUBJECT: Direct and Guaranteed Loan Parity Lien Requirements  

PROPOSED/INTENDED OUTCOME:  
We have continued to receive inquiries requesting clarification of parity lien requirements. The purpose of this Administrative Notice (AN) is to clarify that when a Community Facilities (CF) direct loan and a guaranteed loan are made on the same project, a parity lien position will be required.

COMPARISON WITH PREVIOUS AN:  
This AN replaces RD AN No. 4523 (1942-A and 3575-A), dated July 1, 2010, which expired on June 30, 2011.

IMPLEMENTATION RESPONSIBILITIES:  
For clarification purposes, the reference to “another” or “other lender” in RD Instruction 1942-A, section 1942.17(g)(1), means a lender not receiving a Community Facilities (CF) guarantee. Whenever both a CF guaranteed loan and a direct loan are utilized to finance a CF project, we consider this financing to be all CF financing. As a matter of policy, we will only accept a parity lien.

The Parity Agreement should specifically state if the proceeds of the security pledged will be shared equally. If the Parity Agreement is silent on the manner in which the proceeds from the security will be distributed, then the proceeds from the security pledged will be shared pro rata based on the amount of the outstanding loans.

If you have questions regarding this AN, please contact Kendra Doedderlein, Senior Loan Specialist, Community Programs, (202) 720-1503.

EXPIRATION DATE:  
July 31, 2012  
FILING INSTRUCTIONS:  
Preceding RD Instruction 1942-A and 3575-A