RD AN No. 4685 (4274-D and 1951-R)
August 1, 2012

TO: State Directors, Rural Development

ATTENTION: Business Programs Directors

SUBJECT: Intermediary Relending Program
Funding Deobligation and Reamortization

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance regarding the deobligation of undisbursed Intermediary Relending Program (IRP) loan funds. This will enable the intermediary to remain current.

COMPARISON WITH PREVIOUS AN:

This AN updates and replaces RD AN No. 4584 (4274-D) dated June 13, 2011, with subject "Intermediary Relending Program Funding Deobligation and Reamortization."

IMPLEMENTATION RESPONSIBILITIES:

Extensions:

RD Instruction 4274-D, section 4274.338(b)(9), states in part, "If any part of the loan has not been used in accordance with the intermediary's work plan by a date 3 years from the date of the loan agreement, the Agency may cancel the approval of any funds not yet delivered to the intermediary and the intermediary will return, as an extra payment on the loan, any funds delivered to the intermediary that have not been used by the intermediary in accordance with the work plan. The Agency, at its sole discretion, may allow the intermediary additional time to use the loan funds by delaying cancellation of the funds by not more than 3 additional years . . . "

The intermediary must provide a clear justification for the extension beyond the 3 years to the Agency. **The justification should include time frames to lend the funds, the issues that resulted in the delay of lending the funds, and the remedies developed to ensure lending the balance of the funds. This decision is within the authority of the State Director, and the documentation of support or non support will be maintained in the file.**

EXPIRATION DATE:
July 31, 2013

FILING INSTRUCTIONS:
Preceding RD Instructions 4274-D

“. . . If any loan funds have not been used by 6 years from the date of the loan agreement, the approval will be cancelled of any funds that have not been delivered to the intermediary and the intermediary will return, as an extra payment on the loan, any funds it has received and not used in accordance with the work plan. In accordance with the Intermediary Relending Program promissory note, regular loan payments will be based on the amount of funds actually drawn by the intermediary.”

However, there may be rare exceptions to justify the extension beyond the 6 years as quoted in the regulations. **National Office concurrence will be required for extensions beyond 6 years**.

Requests sent to the National Office must include a very clear justification for any extension. This justification would include reasons why the previous extension did not result in lending the balance of Agency IRP loan funds. Include any roadblocks such as management changes, credit policy changes, etc. The justification must include an annual budget. The budget must show that the intermediary has adequate revenues to pay the administrative expenses of operating the IRP and repay the Agency IRP loan. In accordance with Form RD 4274-3 "Intermediary Relending Program Promissory Note", regular loan payments will be based on the actual amount then owed to the Government. This means that payments are based on the total principal sum of the Note. A clear plan must be provided with a deadline to lend the balance of the funds. If there is not clear justification, the remaining funds should be deobligated.

Deobligation and Reamortization:

The intermediary should be reminded at loan closing that the deferral period is designed to allow it sufficient time to re-lend its funds and develop its portfolio to the extent that repayments from its Ultimate Recipients will fund the intermediary’s repayments to the Government.
However, in those cases when the intermediary is unable to prudently lend the full loan amount and needs to deobligate the undisbursed portion of the loan funds, the field office will process, deobligate, and reamortize the remaining loan balance. It is the Finance Office’s responsibility to maintain complete accounting records for each intermediary. To do so, the Finance Office will need the Form RD 1940-10, “Cancellation of U.S. Treasury Check and/or Obligation” and the Form RD 1951-33, “Reamortization Request.” A new Promissory Note will not be required. In order to process the reamortization, the loan must be fully disbursed, so the deobligation must be for the entire undisbursed portion of the loan and must be processed first. If you have any questions you should contact your Regional Office of General Counsel (OGC).

Transfers:

Since the Rural Development loses deobligated IRP funds, the Agency prefers to have the intermediary do a transfer and assumption instead of deobligating the unused IRP funds and reamortizing the remaining loan balance. Transfer and assumptions of unliquidated Agency IRP loan funds require that the substituted intermediary bear a close and genuine relationship to the original intermediary provided that the loan purpose remains substantially unchanged.

If you have any questions on the information provided, please contact the Specialty Programs Division, at (202) 720-1400.

John C. Padalino
Acting Administrator
Rural Business-Cooperative Service