



Rural Development

RD AN No. 4838 (1942-A and 3575-A)
April 12, 2017

Richard A. Davis
Acting Administrator

Rural Housing Service
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TO: State Directors
Rural Development

ATTN: Community Programs Directors

FROM: Richard A. Davis /s/ *Richard A. Davis*
Acting Administrator
Rural Housing Service

SUBJECT: Direct and Guaranteed Loan Parity Lien Requirements

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify 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. 4764 (1942-A and 3575-A), dated May 21, 2014, which expired on May 31, 2015.

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 CF guarantee. Whenever 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 National Office will consider an exception to this policy when statutory requirements specifically prohibit the lender from parity.

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.

EXPIRATION DATE:
April 30, 2018

FILING INSTRUCTIONS:
Preceding RD Instruction 1942-A
and 3575-A

USDA is an equal opportunity lender, provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

The State Office should make the National Office aware at the earliest indication that the lender may request an exception to parity lien position. This will allow adequate time to review the circumstances and determine if we will consider the request.

If you have any questions, please contact Karla Peiffer, Asset Risk Management Specialist, Community Facilities Programs, at karla.peiffer@wdc.usda.gov.