



Rural Development

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TO: State Directors
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ATTN: Community Programs Directors

FROM: George Kelly
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Date: 2026.02.02
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SUBJECT: Submission of Community Facility Direct
Loan/Grant Applications for National Office Review

PURPOSE/INTENDED OUTCOME:

This unnumbered letter is provided to update guidance to field staff on when and what to submit when requesting National Office concurrence for loan and/or grant approval actions in accordance with the requirements of [7 CFR §1942.5 \(b\)](#): "Project requiring National Office review. Prior National Office review is required for certain proposals (see [RD Instruction 1901-A](#))".

The purpose of National Office reviews is to ensure that the Community Facilities (CF) program aligns with Administration policies, prevents waste, fraud, and abuse of taxpayer funds, and increases effectiveness and efficiency through early coordination and collaboration between the National Office and State Offices. It is imperative that CF reconsider processes and procedures to ensure that the Agency operates as good stewards of taxpayer funds.

IMPLEMENTATION RESPONSIBILITIES:

Requests for CF direct loans and grants that exceed a state's approval authority (see RD Instruction 1901-A) require National Office and State Office coordination and collaboration at three stages:

EXPIRATION DATE:
February 28, 2027

FILING INSTRUCTIONS:
Housing Programs

1. **Pre-application stage –**

- a. Loans requiring “Five/Five” (5/5) reviews in accordance with [7 CFR 1942.17\(g\)\(2\)\(iii\)\(A\)\(6\)](#) and (9) for public bodies and [7 CFR 1942.17 \(g\) \(3\) \(iii\) \(A\) \(2\) and \(5\)](#) for other-than-public bodies: National Office concurrence is required when the applicant has been in existence for less than 5 years and/or has not operated on a financially successful basis for five years immediately prior to loan application. See Attachment A for required documents for the 5/5 pre-application review.
- b. All loan projects requiring National Office concurrence must have a pre-application check-in call with State and National Office staff. The pre-application check-in ensures compliance with all basic eligibility statutes/regulations, in accordance with [7 CFR 1942 A](#), [7 USC 1983](#) “Special Conditions and Limitations on Loans”, and [RD Instruction 1942.17 \(b\)-\(e\)](#). The pre-application check-in call will discuss the proposed capital stack, applicant contribution, availability of other credit, financial feasibility requirements, and project scope.

The state may issue Form AD-622, “Notice of Preapplication Review Action”, after the applicable reviews above have been accomplished.

2. **Application stage –** All loans and grants necessitating National Office concurrence in accordance with [RD Instruction 1901-A](#), will require preliminary National Office evaluation during the review of the Preliminary Architectural Report (PAR) performed by the Program Support Services (PSS) division. During this stage, PSS’ comments and determination of whether the proposed project is modest in size, design, and cost and in alignment with industry standards will be reviewed. This will occur before issuance of the review comments to the State Office and applicant.

States must upload all PARs for PSS, Architectural Services review to the PSS SharePoint services request portal. Project information must be accompanied by an assignment request for PAR reviews. Agency funding source, whether BABAA applies and if the project is Congressionally Directed Spending or similar, should be noted in the “Description” box.

3. **Approval stage** – In accordance with "[Executive Order dated August 7, 2025, titled "Improving Oversight of Federal Grantmaking"](#)", Rural Development State Directors must review and approve all funding decisions. Further, RD Instruction 1901-A requires State Directors to obtain National Office review and concurrence prior to approval for all projects that exceed a state's approval authority.

All loans and grants needing National Office concurrence must be submitted in an electronic format through the Community Program Application Processing system (CPAP).

The "CPAP – CF Checklist", [available on SharePoint](#), must be completed prior to final submission of files for National Office concurrence. Additionally, State Program Directors will utilize this checklist to review CF direct loan and grants within their approval authority to ensure CPAP was properly completed by field staff. Proper completion of CPAP and the upload of documents populates the Electronic Customer File (ECF) and allows National Office to view all required loan documents.

Submission of a project to the National Office for review requires use of the tab function provided in CPAP located under the subtab of 1940-1 in the Loan Grant tab listed as "Notify NO-Ready for Review". This function notifies National Office staff a file is ready for review. Internal documents requiring multiple signatures should be signed electronically. Draft documents should be identified accordingly (ex. "draft" watermark) within the submittals.

TRANSITION:

A loan or grant application review that was underway before issuance of this Unnumbered Letter (UL) must transition to these new requirements. States must work with their assigned Asset Risk Management Specialist to identify these projects and to schedule the necessary National Office reviews as quickly as possible to minimize cost and time burdens that may arise by delaying the National Office review.

This UL replaces "Electronic Submissions of Community Facility Direct Loan/Grant Applications for National Office Review" (5-18-2022); "Requirements of Submitting a Five-Five Review for CF Direct Loan Applications" (5-11-2022); and "CPAP Items to be Uploaded Attachment B to UL 5-18-2022".

If you have any questions concerning this unnumbered letter, please contact your state's assigned Asset Risk Management Specialist.

Attachment

ATTACHMENT A - Requirements of submitting a “Five/Five” Review for Community Facility Direct Loan Applications

INTRODUCTION

This attachment provides guidance on when and what to submit for meeting the requirements of 7 CFR §1942.17 (g) (2) (iii) (A) (6) and (9) for public bodies and 7 CFR §1942.17 (g) (3) (iii) (A) (2) and (5) for Other-than-public bodies: “National Office concurrence is required when the applicant has been in existence for less than five years or has not operated on a financially successful basis for five years immediately prior to loan application”.

Per RD Instruction 1901-A, Exhibit B, pg. 2 - #4 - If the loan is within the State Office’s approval authority, then the National Office delegates the Five/Five concurrence to the RD State Director.

BACKGROUND

7 CFR §1942.17 (g) refers to Security. *“Loans will be secured by the best security position practicable in a manner which will adequately protect the interest of Rural Development during the repayment period of the loan”.*

SUBMISSION REQUIREMENTS

The Five/Five (5/5) request shall be submitted during the pre-application stage **prior** to issuance of Form AD-622, “Notice of Pre-application Review Action”. All basic eligibility requirements shall have already been met when submitting the 5/5 request, including the “Other Credit” requirement – in accordance with 7 CFR §1942.2 (a) and (a)(2), 1942.17 (b)(3).

In order to provide timely reviews, please provide:

1. Cover letter request memo from the Program Director to the CF Deputy Administrator and the Director of the Community Facilities (CF) Direct Loan/Grant Division utilizing the format below. Clearly describe what the issues were for the unsuccessful operating history and what actions the applicant has taken to prevent recurrence.
2. Complete CPAP Historical Financial section (if not a start-up) and include your discussion and analysis of the historical financials within the 5/5 request memo. In CPAP, all historical financials must be spread by line item to match the audited or fiscal year end financials to provide a true year-to-year comparison. All revenues, expenses, assets and liabilities shall be appropriately categorized. The Debt Service field at the bottom of the Historical Income Information tab is required to be completed, if applicable. All debt service needs to be input which shall include principal and interest on all short-term and long-term debt(s), line(s)

of credit, capital lease obligation(s), etc. If you have questions related to this section, please contact your respective Asset Risk Management Specialist.

3. Financial information/eligibility documentation and other appropriate supporting documentation shall be uploaded into CPAP. This includes five years of audited financials, year-to-date financials, and all other relevant information in support of your recommendation.

GENERAL GUIDANCE

1. Unsuccessful Operating History is considered negative net operating history, negative EBIDA, and/or <1.0 Debt Service Coverage Ratio (DSCR). Three or more years of negative operating history is a red flag and typically reflects an unfavorable trend/pattern. Multiple years of unsuccessful operating history immediately preceding application should be analyzed thoroughly and considered seriously.
2. Start Up Projects:
 - Consult your Asset Risk Management Specialist upon receipt of a start-up project.
 - Refer to the UL "Best Practices for Evaluating the Feasibility and Eligibility of CF Projects" focusing on review items #1-#8 with appropriate attachments if applicable.
 - Outline opportunities for project phasing as appropriate.
 - Ensure significant community support is evident.

TEMPLATE

BACKGROUND

Describe applicant's organizational structure. Address any complex organizational structures and/or affiliation agreements. Provide copies of organizational documents, including an organizational chart and copies of affiliation agreements and third-party management agreements. Provide OGC's review memo and state any issues identified. Describe what services the applicant provides, how long they've been operating, etc. If a nonprofit, provide senior management information and Board of Directors list/terms. Upload this information into CPAP as well.

Provide a brief description of project.

FINANCIAL REVIEW

Provide a meaningful financial review and analysis of the historical information. Specifically address the following:

1. The unsuccessful operating history year(s) and what/why they were unsuccessful. Explain relevant information the applicant has provided - both positive and negative. Explain the circumstances and actions the applicant has taken to prevent reoccurrence.
2. Is there adequate and dependable revenue for operating expenses, debt service, and required reserves?
3. If the application is a start-up, how will operating expenses be met for the first three years and what are the dependable revenue sources? Specifically address proposed loan security and risk mitigations, meaningful applicant contribution, and partnerships/leverage.
4. CPAP will provide the financial spread and ratios (DSCR, EBIDA (cash flow)), export to excel to easily calculate liquidity and other relevant ratios, etc. necessary to complete your examination and assessment.
5. Is the request following best practices - In accordance with the UL "Best Practices for Evaluating the Feasibility and Eligibility of Community Facilities Projects"?

ADDITIONAL INFORMATION

Address the following:

1. Detailed explanation of proposed loan security.
2. Is there meaningful applicant contribution? Partnership and leverage?
3. Is there demonstrated evidence of significant community support?
4. If a start-up, does this meet the UL "Best Practices for Evaluating the Feasibility and Eligibility of CF Projects", and how so? What risk mitigation is proposed?
5. Is the board representative of the community and community based?
6. Describe the experience of the board and senior management demonstrating strong leadership.

RECOMMENDATION

Please clearly state your recommendation for concurrence/non-concurrence. Explain your reasoning and the basis for your assumptions.