



Rural Development

Rural Business-
Cooperative Service

Office of the
Administrator

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SUBJECT: Cessation of the London Interbank Offered Rate (LIBOR)

ATTN: Business and Industry Guaranteed Loan Program
Rural Energy for America Guaranteed Loan Program
Food Supply Chain Guaranteed Loan Program
Biorefinery, Renewable Chemical, and Biobased Product
Manufacturing Assistance Guaranteed Loan Program
Community Facilities Guaranteed Loan Program
Water and Waste Disposal Program Guaranteed Loan
Rural Housing Service and Rural Utilities Service

PURPOSE:

LIBOR is a published base interest rate index used by Lenders and included in certain loans guaranteed by the Agency. The purpose of this Unnumbered Letter is to provide guidance to field staff working with lenders and secondary market holders to prepare for the cessation of LIBOR on or before June 30, 2023, consistent with the requirements of the Adjustable Interest Rate (LIBOR) Act (12 U.S.C. §§ 5801 *et seq.*) (the “Act”), 12 CFR part 253, and applicable Agency regulations regarding interest rate changes.

EXPIRATION DATE:
June 30, 2024

FILING INSTRUCTIONS:
Community/Business Programs

BACKGROUND:

On January 26, 2023, the Federal Reserve System published 12 CFR part 253, “Regulations [Implementing the Adjustable Interest Rate \(LIBOR\) Act \(Regulation ZZ\)](#).” This final rule was effective February 27, 2023, and establishes benchmark replacement index for contracts governed by U.S. law that reference certain tenors of U.S. dollar LIBOR (the overnight and one-, three-, six-, and 12-month tenors) and do not have terms that provide for the use of a clearly defined and practicable replacement benchmark rate following the first London banking day after June 30, 2023.

Guaranteed loans with individual tenors addressed in the Act will automatically be indexed to the board selected replacement index of the Secured Overnight Funds Rate (SOFR) on July 1, 2023, plus a tenor spread adjustment as defined in the Act.

The Alternative Reference Rates Committee (ARRC) identified the Secured Overnight Financing Rate (SOFR) as its recommended replacement for USD LIBOR and developed a Paced Transition Plan to support the transition from USD LIBOR to SOFR. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. The SOFR is published daily by the Federal Reserve Bank of New York (FRBNY) in cooperation with the U.S. Department of Treasury’s Office of Financial Research. The spread adjustments specified in the Act are intended to address certain differences between SOFR and LIBOR, including the fact that LIBOR is unsecured and therefore includes an element of bank credit risk which may cause it to be higher than SOFR.

Guaranteed loans in the Agency’s portfolio not subject to or not implemented in accordance with [12 CFR part 253](#) and the Act must modify their guaranteed loans to change interest rate indexes before the final LIBOR is published on June 30, 2023, and meet the requirements of either [7 CFR part 5001.513](#) or the following previous regulations [7 CFR part 4287.312](#), [7 CFR part 4287.112](#), [RD Instruction 3575-A, § 3575.33 and 3575.80](#), [7 CFR 1779.80](#), and [87 FR 70086, paragraph \(f\) and \(j\)\(1\)](#), for interest rate changes.

Additional guidance is necessary to differentiate between guaranteed loans that contains an applicable LIBOR tenor of either overnight, one-, three-, six-, or 12-month as the published base interest rate index that are subject to and implemented in accordance with [12 CFR part 253](#) and the Act with those guaranteed loans using certain LIBOR tenors not subject to 12 CFR part 253 and the Act. Loan contracts not subject to the Act will require an interest rate index modification in accordance with the applicable Agency regulation. Furthermore, in both instances, no new promissory note can be issued.

IMPLEMENTATION RESPONSIBILITIES:

The Lender is required to determine whether the current LIBOR interest rate index contained in the guaranteed loan falls under the Applicability requirements found at 12 CFR part 253.3, verify the Board-selected benchmark replacement index in accordance with 12 CFR part 253.4, and notify the Agency, Borrower and Holder of the interest rate index change.

The Agency's goal is to provide uniform guidance to field staff and lenders that may have loans guaranteed by the Agency that reference LIBOR as the published interest rate index which will have a new interest rate index pursuant to the Act and ensure the Agency's loan files are updated accordingly. The Guaranteed Loan System (GLS) must be updated to reflect any change to the interest rate index, and the Secondary Market Holders, if any, must be notified of any change in the interest rate index. The State Office must notify the office of the Deputy Chief Financial Office (DCFO) of any interest-rate change by using [Form RD 1980-47](#), "Guaranteed Loan Borrower Adjustments," to make corrections to GLS reflecting the change, and document the loan file to reflect the change.

[12 CFR](#) part [253.3](#), APPLICABILITY:

On and after July 1, 2023, the following LIBOR contracts that reference the overnight, one, three, six, and 12-month tenors of U.S. dollar LIBOR may be covered by 12 CFR part 253 and the Act if:

- A LIBOR contract contains no fallback provisions.
- A LIBOR contract that contains fallback provisions that identify neither a specific benchmark replacement, determining person, or the determining person has not selected a benchmark replacement by the LIBOR replacement date.
- Lender selects the board selected benchmark replacement index of SOFR plus the tenor spread adjustment.

On and after July 1, 2023, the following LIBOR contracts will not be affected by 12 CFR part 253 and the Act:

- Any LIBOR based contract that does not specifically reference the overnight, one, three, six, and 12-month tenors,
- Any LIBOR contract that the parties have agreed in writing shall not be subject to the Act.
- Any LIBOR contract that contains fallback provisions that identify a benchmark replacement that is not based in any way on any LIBOR value (including the prime rate or the effective Federal Funds rate).
- Any LIBOR contract that contains fallback provisions that identify a determining person and select the Board-selected benchmark replacement specified in 12 CFR part 253.4 as the benchmark replacement for a LIBOR contract made by the earlier of the LIBOR replacement date and the latest date for selecting a benchmark replacement according to the terms of the LIBOR contract.

The above is provided as a summary of the Act provisions regarding those contracts that are and are not affected starting July 1, 2023, but for further clarity please see the applicable provisions in the Act.

LOANS SUBJECT TO AND IMPLEMENTED IN ACCORDANCE WITH 12 CFR PART 253 AND THE ADJUSTABLE INTEREST RATE (LIBOR) ACT:

Pursuant to section 107 of the Adjustable Interest Rate (LIBOR) Act, 12 CFR part 253 supersedes any state or local law, statute, rule regulation, or standard, including the Agency's regulations, and specifically provisions regarding interest rate changes found at [7 CFR 4287.312](#), [7 CFR 4287.112](#), [RD Instruction 3575-A, § 3575.33, 7 and 3575.80](#), [7 CFR 1779.80](#), and [87 FR 70086, paragraph \(f\) and \(j\)\(1\)](#), if the contract meets the applicability requirements of the Act.

The following tenor adjustments shall be included as part of the Board-selected benchmark rate (SOFR) pursuant to [12 CFR 253.4\(c\)](#):

- 0.00644 percent for overnight LIBOR;
- 0.11448 percent for one-month LIBOR;
- 0.26161 percent for three-month LIBOR;
- 0.42826 percent for six-month LIBOR; and
- 0.71513 percent for 12-month LIBOR.

Other provisions of the loan documents remain unchanged. Except as provided in 12 CFR part 253 where the applicable Board-selected benchmark replacement becomes the benchmark replacement for a LIBOR contract on and after July 1, 2023, all other provisions of such contract shall not be altered or impaired and shall apply to such contract using the Board-selected benchmark replacement. For example, the following shall not change:

- Any provision specifying the date for determining a benchmark, except in the case of derivative transactions, which are subject to 12 CFR part 253.4(a)(2), and Federal Home Loan Bank advances, which are subject to 12 CFR part 253.4(b)(3)(ii)(B);
- Any provision specifying rounding conventions for a benchmark;
- Any provision referencing LIBOR or any LIBOR value prior to the LIBOR replacement date (including any provision requiring a person to look back to a LIBOR value as of a date preceding the LIBOR replacement date);
- Any provision applying any cap, floor, modifier, or spread adjustment to which LIBOR had been subject pursuant to the terms of a LIBOR contract;
- Any provision of Federal consumer financial law that—
 - Requires creditors to notify borrowers regarding a change-in-terms; or
 - Governs the reevaluation of rate increases on credit card accounts under open-ended (not home-secured) consumer credit plans; or Except as provided in 12 U.S.C. 5804(c), the rights or obligations of any person, or the authorities of any agency, under Federal consumer financial law, as defined in 12 U.S.C. 5481.

State Offices will require the Lender to provide written notice to the Agency confirming whether or not the contract is covered by 12 CFR part 253 and identify the board selected benchmark replacement index of SOFR plus a tenor spread adjustment as noted in the rule. If covered by 12 CFR part 253 and the Act, the Lender must:

- Provide written documentation to the Agency confirming the guaranteed loan meets the applicability requirements of [12 CFR part 253](#) and Lender will be using the board selected benchmark replacement and adjusters.
- The lender must document the interest rate change by an endorsement or any other legally effective amendment to the promissory note; however, no new promissory notes can be issued.
- The lender must communicate the changes to the borrower and any Secondary Market Holders.
- The lender is required to provide documentation of the interest rate change to the Agency within 10 calendar days of the change.
- The State offices should verify that the replacement index used is SOFR plus the applicable tenor spread adjustments referenced above and required pursuant to 12 CFR part 253.4(c).
- The State Office will ensure all file records and GLS are updated upon receipt of documentation from the Lender.

LOANS NOT SUBJECT TO 12 CFR PART 253 AND THE ADJUSTABLE INTEREST RATE LIBOR ACT:

- The State Offices will notify the Lender to provide a written request to the Agency confirming the contract is not covered by 12 CFR part 253 and the Lender should submit a servicing request proposing a replacement interest rate index.
- State Offices will process the Lender's servicing requests using the established process and ensure the Lender's request follows the existing applicable USDA regulation for interest rate changes in accordance with [7 CFR part 5001.513](#) or [7 CFR part 4287.112](#).

LENDER NOTIFICATION:

Attached to this unnumbered letter is a list of guaranteed loans that are tied to the LIBOR index. Additionally, the attached memo template can be used to notify lenders on the list to address the cessation of LIBOR on June 30, 2023. State Offices are encouraged to check their respective guaranteed loan portfolio to ensure all lenders with LIBOR contracts are notified timely.

Attachments

Sample Letter – Guidance for Servicing Loans Indexed to LIBOR

DATE

**LENDER
ADDRESS
CITY, STATE ZIP**

RE: BORROWER – LOAN AMOUNT
Guidance for Servicing Loans Indexed to LIBOR

The purpose of this letter is to inform LENDER of the pending cessation of LIBOR as a published interest rate index for the above guaranteed loan(s) and provide additional servicing guidance for Agency guaranteed loans that may contain LIBOR as the interest rate index.

Our records indicate one or more Agency guaranteed loans in the LENDER portfolio contain LIBOR as the interest rate index. Prior to June 30, 2023, LENDER must determine if any of its Agency guaranteed loans meet the applicability requirements of 12 CFR part 253 and the LIBOR Act. If the Agency guaranteed loan(s) is determined to meet the applicability requirements of this regulation and the interest rate index is being replaced in accordance with the provision of 12 CFR part 253 and the LIBOR Act, the interest rate index change can be implemented by LENDER. However, the LENDER must do the following:

1. provide written documentation to the Agency confirming the guaranteed loan meets the applicability requirements of 12 CFR part 253 and LENDER will be using the board selected benchmark replacement and adjusters required by the regulation.
2. document the interest rate changes by an endorsement or any other legally effective amendment to the promissory note; however, no new promissory notes can be issued.
3. communicate the interest rate index change to the Borrower and any Secondary Market Holder(s).
4. provide copies of the legal documentation of the interest rate index change to the Agency and Holder(s) within 10 calendar days of the change.

If the guaranteed loan does not meet the applicability requirements of 12 CFR 253 and the LIBOR Act, and an interest rate change is necessary, the lender must submit a servicing request to the Agency for consideration and review. The servicing request must meet the requirements of and be processed in accordance with the existing regulatory provisions in effect for each guaranteed loan found at 7 CFR part 4287.312, 7 CFR part 4287.112, 7 CFR part 3575.80, RD Instruction 3575-A, § 3575.33 and § 1779.80, and 87 FR 70086 paragraph (f) and (j)(1) for interest rate changes. When submitting a request for an interest rate index change, the Lender must provide a written certification to the Agency that the guaranteed loan(s) does not meet the applicability requirements of 12 CFR part 253 and the LIBOR Act.

Sincerely,

[Insert Program Name] Program Director

Rural Housing Service

List of Guaranteed Loans Associated with the LIBOR Index

Applicant	Servicing State Name	Program Area	Borrower Name	Borrower Id	Report Lender Name	Facility	TyFund	Cde	Stat	De	Loan	Clas	Loan Num	Interest	R Loan	In	Lte	Loan	Grant	Amount	Date	Closed	Period	Percent	Adminstr	Request	Nbr	Servicing	Borrower	Approving	Servicing	Gls	Agenc	Plass	Loan	Amount	Closed	Amount	UEI	Obligation	Amount	Loan	Index	Name
ARIZONA	CF	UNITED COMMUNITY	575918464	ZIONS BANCORPORATION N.A.	HOSPITAL	97	360	50	#####	3.99 V	4,335,000	2/16/2012	30	90	N	1 02 -750	UNITED C ZIONS BA	ZIONS BA	50	1	4,335,000	4,450,000	LDELROGKSAW9	4,450,000	10 YR LIBOR + 2.50																			
ARIZONA	CF	BISBEE HOSPITAL ASSOCIATION	934664467	ZIONS BANCORPORATION N.A.	HOSPITAL	97	402	51	4/1/2010	4.25 V	2,800,000	5/17/2010	25	90	N	1 02 -750	BISBEE H ZIONS BA	ZIONS BA	51	3	2,800,000	2,800,000	PKSIBR0PYCZ9	2,800,000	LIBOR																			
FLORIDA	CF	BURNS SCIENCE & TECHNOLOGY CHARTER SCHO	75683952	FIRST HORIZON BANK	PSYCHIAT	97	401	50	#####	5.985 V	6,091,500	10/23/2000	40	90	N	1 09 -704	BURNS SC FIRST HOR	FIRST HOR	50	40	6,091,500	6,091,500	MELQAKHTKZ4	6,091,500	30 DAY - LIBOR																			
FLORIDA	CF	THE CENTERS, INC	919176469	SUNTRUST BANK	PSYCHIAT	97	402	1	50	8/6/1996	3.72254 V	400,000	2/1/1998	25	80	N	1 09 -704	THE CENT SUNTRUS	SUNTRUS	50	5	400,000	400,000		400,000	LIBOR + 1.75																		
GEORGIA	CF	HOSPITAL AUTHORITY OF BEN HILL COUNTY	868306611	COMMUNITY BANK & TRUST-WEST GEORGIA	HOSPITAL	97	302	40	9/6/2017	V			40	N		1 10 -705	HOSPITAL COMMUNITY BANK & TRUST-		40	40	0	2,360,000	LWQCCERBEX4	2,360,000	5 YR LIBOR SWAP RATE + 3.75%																			
ILLINOIS	CF	RESTHAV HOME OF WHITESIDE COUNTY, ILLINOIS	344030716	TBK BANK, SSB	NURSING	97	402	50	#####	5.23 V	4,680,000	9/21/2015	40	90	N	1 13 -711	RESTHAV TRIUMPH TBK BANK		50	40	4,680,000	4,680,000		4,680,000	10 YEAR LIBOR SWAP																			
IOWA	CF	BELMOND CITY CF	332632058	FIRST STATE BANK	HOSPITAL	97	402	50	#####	3.99 V	2,400,000	8/18/2010	30	90	N	1 16 -710	BELMOND FIRST STA	FIRST STA	50	5	2,400,000	2,400,000	CXBLPWZNSB06	2,400,000	WSI & 3 MONTH LIBOR																			
MICHIGAN	CF	INTERCARE COMMUNITY HEALTH NETWORK	61953726	HORIZON BANK	OUTPATIE	97	402	51	#####	4.58 V	2,093,800	2/3/2012	20	90	N	1 26 -704	INTERCARE HORIZON	HORIZON	51	1	2,093,800	2,500,000		2,500,000	5 YEAR LIBOR SWAP																			
NEBRASKA	CF	CHADRON COMMUNITY HOSPITAL CORP	314627177	FIRST NATIONAL BANK OF OMAHA	HOSPITAL	97	402	50	#####	3 V	8,900,000	7/1/2010	20	90	N	1 32 -704	CHADRON FIRST NAT	FIRST NAT	50	4	8,900,000	8,900,000		8,900,000	10 YEAR LIBOR SWAP RATE																			
OHIO	CF	WEST SIDE MONTESSORI CENTER	243880750	FIFTH THIRD BANK	HOSPITAL	97	402	50	#####	2.75 V	6,312,000	8/17/2012	25	90	N	1 41 -701	WEST SID FIFTH TH	FIFTH TH	50	1	6,312,000	6,312,000	SQALSJUMG19	6,312,000	90 DAY LIBOR																			
OHIO	CF	MATCO INDUSTRIES, INC	236651992	THE HUNTINGTON NATIONAL BANK	OTHER	97	402	1	50	#####	7.273 V	800,000	2/16/2007	20	90	N	1 41 -702	MATCO THE HUNTH	HUNT	50	1	800,000	800,000		800,000	3 MONTH LIBOR																		
SOUTH CAROLINA	CF	LIMESTONE UNIVERSITY	705310801	FIRST NATIONAL BANK OF PENNSYLVANIA	COLLEGE	97	323	40	#####	V			30	N		1 46 -705	LIMESTON FIRST NATIONAL BANK OF PEN		40	40	0	3,500,000	2E7BFESNDC3	3,500,000	3-MONTH LIBOR PLUS 1.80%																			
SOUTH CAROLINA	CF	UPPER PALMETTO YMCA	562728050	FIRST HORIZON BANK	HOSPITAL	97	360	50	#####	4.095 V	868,808.70	3/21/2019	38	90	N	1 46 -755	UPPER PAFIRST HOR	FIRST HOR	50	40	868,808.70	868,808.70		868,808.70	LIBOR SWAP RATE																			
SOUTH CAROLINA	CF	UPPER PALMETTO YMCA	562728050	FIRST HORIZON BANK	HOSPITAL	97	360	51	#####	4.095 V	4,131,151.30	3/21/2019	38	90	N	1 46 -755	UPPER PAFIRST HOR	FIRST HOR	51	41	4,131,151.30	#####	#####	#####	LIBOR SWAP RATE																			
TEXAS	CF	COMANCHE CO CONSOLIDATED HOSPITAL DIST	110031202	SIMMONS BANK	HOSPITAL	97	360	1	50	9/1/2021	4.25 V	11,615,000	10/27/2021	20	80	N	1 49 -705	COMANCHE SPIRIT OF SIMMONS		50	40	11,615,000	11,615,000		11,615,000	LIBOR																		
UTAH	CF	CENTER FOR CREATIVITY, INNOVATION AND DISCOVERY	884203195	LIVE OAK BANKING COMPANY	HOSPITAL	97	360	50	#####	5.25 V	2,475,000	4/6/2020	30	90	N	2 52 -703	CENTER LIVE OAK	LIVE OAK	50	40	2,475,000	2,475,000		2,475,000	5-YEAR LIBOR																			
UTAH	CF	BONNEVILLE ACADEMY	259299352	LIVE OAK BANKING COMPANY	HOSPITAL	97	360	50	#####	5.33 V	2,387,500	2/4/2020	30	90	N	1 52 -703	BONNEVILLE LIVE OAK	LIVE OAK	50	40	2,387,500	2,387,500		2,387,500	LIBOR																			
UTAH	CF	MOJAVE VALLEY HEALTHCARE, INC.	860323685	ZIONS BANCORPORATION N.A.	HOSPITAL	97	323	40	6/1/2021	V			25	N		1 52 -702	MOJAVE VAL ZIONS BANCORPORATION N.A		40	40	0	5,882,000		5,882,000	ONE-MONTH LIBOR +2.15																			
WASHINGTON	CF	SQUAWIN ISLAND TRIBE	551983501	BANK OF AMERICA, N.A.	HOSPITAL	97	402	50	#####	1.77 V	4,438,000	1/23/2012	15	80	N	1 56 -702	SQUAWIN BANK OF BANK OF		50	20	4,438,000	4,438,000	Z7LICAINA185	4,438,000	BSA LIBOR RATE																			
WASHINGTON	CF	NISQUALLY INDIAN TRIBE	572249222	BANK OF AMERICA, N.A.	OFFICE BU	97	360	59	4/5/2013	2.4806 V	3,000,000	10/1/2015	10	80	N	1 56 -702	NISQUALLY BANK OF BANK OF		59	41	3,000,000	3,000,000	MFEETSJ3PK93	3,000,000	LIBOR																			
WASHINGTON	CF	NISQUALLY INDIAN TRIBE	572249222	BANK OF AMERICA, N.A.	COMMUN	97	402	54	#####	1.5 V	2,953,447	2/10/2014	11	80	N	1 56 -702	NISQUALLY BANK OF BANK OF		54	16	2,953,447	3,000,000	MFEETSJ3PK93	3,000,000	PRIME .75 OR LIBOR 2.0																			
WASHINGTON	CF	OKANOGAN BEHAVIORAL HEALTHCARE	449836742	WELLS FARGO BANK	MENTAL H	97	402	50	#####	7.1 V	3,500,000	4/25/2006	20	90	N	1 56 -703	OKANOGAN WELLS F	WELLS FA	50	1	3,500,000	3,500,000		3,500,000	LIBOR - 3 MONTH																			
WEST VIRGINIA	CF	HIGHLAND-CLARKSBURG HOSPITAL, INC.	162880748	THE HUNTINGTON NATIONAL BANK	PSYCHIAT	97	402	50	#####	5.53 V	6,900,000	7/14/2014	10	90	N	1 57 -742	HIGHLAND THE HUNTH	HUNT	50	40	6,900,000	9,000,000		9,000,000	1 MONTH LIBOR																			
HAWAII	CF	MOLOKAI OHANA HEALTH CARE, INC.	962470120	FIRST FOUNDATION BANK	HOSPITAL	97	401	50	#####	5.175 V	1,000,000	7/30/2009	25	90	N	2 61 -702	MOLOKAI FIRST FOU	FIRST FOU	50	6	1,000,000	1,000,000		1,000,000	5-YEAR LIBOR SWAP RATE																			

Rural Utilities Service
List of Guaranteed Loans Associated with the LIBOR Index

STATE	BORROWER	CASE NUMBER
MS	East Quitman Water Association, Inc.	15-050-797114682
TX	Comanche County WSC	15-50-853077489