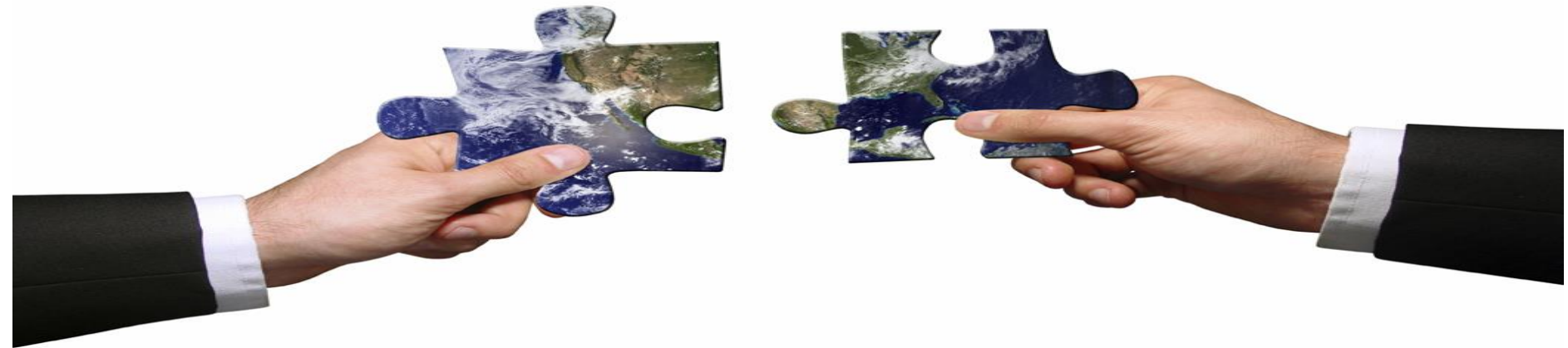




U.S. Small Business
Administration

SBA Fresno and Little Rock Commercial Loan Servicing Center



Guidance on SBA 7a Loan Servicing

Role of the Servicing Center

Four Main Functions

Loan Servicing: 504/7A Loan servicing.
Supervisor: John.Gossett@sba.gov

SBA Express Purchase and Liquidation: Purchase demand package (purchase demand kit) processing.
Supervisor: Michelle.Serrano@sba.gov

504 Loan Purchase and Liquidation:
All requests relating to 504 loans downgraded to “in liquidation” status.
Supervisor: Gary.Wamhof@sba.gov

Post Servicing: 504/7A Post Liquidation Actions: Offers in Compromises, loan charge off.
Supervisor: Christine.Phuangkeo@sba.gov

Fresno Servicing Contact Information

Fresno Commercial Loan Servicing Center

801 “R” Street, #101

Fresno CA 93721

Tel: 800-347-0922, Fax: 202-481-0483

General e-mail:

fsc.servicing@sba.gov

Please use “Send this File” or fax request if company policy prevents sending private information via email and must be sent as secured. Center not allowed to open secured email.

Green = Fresno
Yellow = Little Rock



Centralization of Servicing

Loan Approved by
Processing Center



Loan transferred to CLCS after final disbursement of term loans and *partially disbursed revolving loans* (\$1 is a partially disbursed loan)

Delegated/E-Tran
Loan



Loan transferred to CLCS after final disbursement of term loans/partially disbursed Express Revolvers. *PLPs No Longer need to send Loan Authorizations to Centers but rather upload into E-TRAN (J & K) & 6*

504 Loans

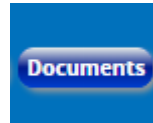


Loan shipped to the CLSC once the debenture has funded.

SAVE SOME MONEY!

Upload Loan Authorization to E-Tran?

- Top of E-Tran Servicing look for Documents



- Click on it

E-Lend Servicing Document Repository : SBA Loan Number

Etran Servicing Guaranty Purchase (GPTS)

E-Lend Servicing Document Repository : SBA Loan Number

Etran Servicing Guaranty Purchase (GPTS)

Upload Documents

Name it, LoanAuthorization

No # \$ % ^ & * ()

Loan Servicing Regulations

- Agency regulations set forth at **13 CFR 120.535** and **120.536**, **SOP 50-57-2**, **50 55** and **SOP 50-10** that was in effect at the time the loan was approved provides standards for the lender loan servicing.
- Link to SOPS
 - <https://www.sba.gov/document?sortBy=Effective%20Date&search=&documentType=SOP&program=All&documentActivity=All&page=1>

SOP 50 – 10

- SOP 50-10-4
 - Loans approved 01/29/99 to 07/31/08
- SOP 50-10-5 (A)
 - Loans approved 08/01/08 to 09/30/09
- SOP 50-10-5 (B)
 - Loans approved 10/01/09 to 09/30/10
- SOP 50-10-5 (C)
 - Loans approved 10/01/10 to 09/30/11
- SOP 50-10-5 (D)
 - Loans approved 10/01/11 to 05/31/12
- SOP 50-10-5 (E)
 - Loans approved 06/01/12 to 12/31/13
- SOP 50-10-5 (F)
 - Loans approved 01/01/14 to 09/30/14
- SOP 50-10-5 (G)
 - Loans approved 10/01/14 to April 30, 2015
- SOP 50-10-5 (H)
 - Loans approved 05/01/15 to 12/31/2016
- SOP 50-10-5 (I)
 - Loans approved 1/1/2017 to 12/31/2017
- SOP 50-10-5 (J)
 - Loans approved on or after 1/1/2018
- SOP 50-10-5 (K)
 - Loans approved on or after 4/1/2019

•50 10 6

•Started October 1, 2020

•Where can I find it?

- <https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs-0>

SOP 50-57-2 / 50 55

“Should” versus “Must”

- **Should = Guideline.**

- Recommended but not required. Lender will have to document file to ensure credit decision based on prudent lending practices followed when “should” requirement is not followed.

- **Must = Required.**

- Will need exception to policy by SBA.

SOP 50-57-2 / 50 55

“Should” versus “Must”

- Should = Guideline.

- Recommended but not required. Lender will have to document file to ensure credit decision based on prudent lending practices followed when “should” requirement is not followed.

- Must = Required.

- Will need exception to policy by SBA.

Loan Servicing Standards

Your Question from the Lender...you know the one!

- As set forth at **13 CFR 120.535**, lenders must service their loans based upon the following standards:

Service using **prudent lending standards**. Lenders must service 7(a) loans in their portfolio no less diligently than their **non-SBA portfolio**, and in a commercially reasonable manner, consistent with prudent lending standards and in accordance with Loan Program Requirements. Those lenders that do not maintain a non-SBA loan portfolio must adhere to the same prudent lending standards for loan servicing followed by commercial lenders on loans without a government guarantee.

Changes After Final Disbursement

SBA considers a partially disbursed revolver as fully disbursed.

- Servicing Center services all 7a and 504 Loan Programs in its jurisdiction (borrower physical address).
 - Loan Processing SOP 50-10 that is in effect at the time loan was approved for increases, interest changes, guaranty percentage changes, loan program requirements and assumptions/ownership changes.
 - Loan Servicing SOP 50-57-2 (7A) Note: 50-55 is for the 504 program.
 - 7a Delegated versus Non-Delegated
 - Once loan is fully disbursed, **all 7a lenders have delegated authority.**
- Yes, Delegated Authority!**
- Use **7a Lender Matrix** for guidance on what requests require SBA approval.
 - CDC use **CDC Matrix**.

Servicing and Liquidation

7(a) Lender Matrix, Version 15-04/25/19

SBA Servicing and Liquidation Actions
7(a) Lender Matrix

Disclaimer: The Office of Financial Program Operations (OFPO) develops and distributes tools, such as this loan action matrix, which are designed to make it easier for SBA lending partners to find and comply with Agency Loan Program Requirements. OFPO makes every effort to ensure that each tool is accurate at the time it is developed and updated whenever there is a change. Use of these tools, however, does not constitute a guarantee of accuracy or compliance with the applicable Loan Program Requirements. In the event of a conflict between a tool relied upon by a Lender and the applicable Loan Program Requirements, the Loan Program Requirements will prevail.

Please see Footnotes at end of document. All lender actions must comply with SBA loan program requirements.

Lenders are required to use E-Tran Servicing for the actions marked with an X in the E-Tran Required column below. Lenders are required to notify the appropriate Center for other actions. Lenders are required to submit all actions submitted to the Center for review. Lenders are required to provide SBA notification or prior SBA approval will not receive an acknowledgement.

	Unilateral Actions			Requires Prior SBA Approval
	E-Tran Required	Notify Center	No Notification Required	
If a lender makes a change using E-Tran servicing, a separate notification to SBA is not required and should not be sent.				
Prior to final disbursement, actions that require prior SBA notification and requests for prior SBA approval must be sent to the Standard 7(a) Loan Guaranty Processing Center (LGPC) in accordance with SOP 50 10 5, Subpart B				
Approved Loans Prior to Final Disbursement - See SOP 50 10 5, Subpart B				
Revolving lines of credit are considered fully disbursed upon initial disbursement				
Changes to Loan Authorization within loan program guidelines:				
1			X	
2			X	
3	X			
4	X			
5	X			
6	X			
7	X			
8	X	X		
9	X			
10	X			
11	X			
12	X			
13	X			
14	X			
15	X			
16	X			
17	X			
18	X			
19	X			
20				X
After final disbursement, actions that require SBA notification and requests for prior SBA approval must be sent to the appropriate Commercial Loan Servicing Center (CLSC)				
1				X
2				X
3				X
4				X
5				X
6				X
7				X
8				X
9				X
10				X
11				X
12				X
13				X
14				X
15				X
16				X
17				X
18				X
19				X
20				X
21				X
22				X
23				X
24				X
25				X
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81				X
82				X
83				X
84				X
85				X
86				X
87				X
88				X
89				X
90				X
91				X
92				X
93				X
94				X
95				X
96				X
97				X
98				X
99				X
100				X

For the most recent version of this matrix, click here.

Version 15 4/25/2019
*Please check the SBA Website for the most up to date version.

SBA Servicing and Liquidation Actions
7(a) Lender Matrix

	E-Tran Required	Unilateral Actions		Requires Prior SBA Approval
		Notify Center	No Notification Required	
1			X	
2			X	
3			X	
4			X	
5			X	
6			X	
7			X	
8			X	
Liquidity Actions				
1				X
2				X
3				X
4				X
5				X
6			X	
7			X	
8			X	
9			X	
10			X	
11			X	
12			X	
13			X	
14			X	
15			X	
16			X	
17			X	
18		X		
Litigation Actions				
1			X	
2			X	
3			X	
4			X	
Guaranty Fees				
On loans that have been initially disbursed, the guaranty fee associated with any increase in loan amount or extension of maturity approved by SBA must be paid to SBA, whether or not the increase or extension of maturity is subsequently cancelled. Approval of the requested increase or extension of maturity in E-Tran will constitute SBA's prior written consent.				
The Lenders are reminded to remit Guaranty fees to SBA using www.pay.gov (in accordance with SBA Procedural Notice 2000-766 dated 7/13/09). If a servicing action requires that a fee be paid to SBA, such as for an increase to a loan amount or extension of maturity, said fees are due within 30 days of SBA approval (Lender's change in E-Tran). In the event a short term loan is extended to over 12 months the additional Guaranty fee is owed or an explanation that the extension is solely for purposes of orderly repayment of the debt (subject to determination by SBA) must be sent to the CLSC.				
Lender Documentation				
Lenders must document the business reason and justification for their decisions and retain these and supporting documents in the loan file for future SBA review to determine if the actions taken were prudent, commercially reasonable (consistent with generally accepted commercial lending practices) and complied with applicable loan program requirements. When taking action that falls within a lender's unilateral authority, the lender is encouraged to note the loan file with a statement such as, "This action was taken under unilateral				
Lender Reporting after Guaranty Purchase (Liquidation Status Report)				
(1) Lenders must submit a loan status report within 15 business days of Purchase by SBA from the secondary market. The report should address the status of the Borrower, Guarantors, collateral, workout or restructuring plans, liquidation activities including sale of collateral, foreclosures and litigation. The report should be accompanied by documentation needed for SBA to conduct a post-Purchase review.				
(2) For all loans SBA has purchased, either from the secondary market or directly from the Lender, Lenders must provide the SBA Loan Center with a written status report every 6 months, starting with 6 months from the date of guaranty purchase, or the effective date of the most recent SOP 50 57, whichever is earlier, until the Lender has provided evidence sufficient to SBA that the loan is resolved.				
(3) Lenders must submit Charge Off Tabs (also known as a Wrap-up Report) for each loan once all requirements for collection and liquidation are satisfied, and further recovery actions are not cost-effective. Lenders must notify SBA if they will continue recovery actions since loans cannot be sent to Treasury for further collection if the lender is still servicing the loan.				
Henson Charge Off Tabs Fresno/Little Rock Charge Off Tabs				

For the most recent version of this matrix, click here.

Version 15 4/25/2019
*Please check the SBA Website for the most up to date version.

7(a) Lender Matrix (continued)



Servicing and Liquidation Actions 7(a) Lender Matrix

Lenders may contact their District Office Lender Relations Specialists or Brand Managers if they have questions regarding the use of this matrix.

Lenders should direct their actions, requests and questions to the following email addresses:

National Guaranty Purchase Center

General liquidation actions and questions - loanresolution@sba.gov

Expense reimbursement submission and questions - shacpc@sba.gov

Wrap up submission and questions - shacargseff@sba.gov

General Purchase questions - shapurchase@sba.gov

Questions regarding in process Purchases - Purchasestatus@sba.gov

Secondary market questions - secondarymarket@sba.gov

Please visit the [National Guaranty Purchase Center Website](#) for all Liquidation and Purchase (non-SBAExpress) related questions.

Commercial Loan Service Centers

Lenders should direct their servicing action/request to:

Fresno's Contact Information and Website

Purchase Demand Kits & questions - psc_purchasing@sba.gov

General liquidation actions and questions - psc_servicing@sba.gov

Questions regarding Servicing - psc_servicing@sba.gov

Charge OFF/OC submission and questions - psc_postservicing@sba.gov

Little Rock's Contact Information and Website

Purchase Demand Kits & questions - LRSC_ExpressPurchase@sba.gov

General liquidation actions and questions - LRSC_ExpressPurchase@sba.gov

Questions regarding Servicing - LRSC_servicing@sba.gov

Charge OFF/OC submission and questions - LRSC_postservicing@sba.gov

Footnotes

- 1 After closing a PLP loan, the lender must send to the appropriate Commercial Loan Service Center a copy of the executed Authorization, including any modifications. (SOP 50 10 5) All documents should be uploaded through E-TRAN for loans approved after 01/01/2018
- 2 SBA closing requirements are the same for loans guaranteed through PLP processing as for non-delegated loans. The same forms are required; lender must retain all documents in the Lender's loan file
- 3 SBA defines a fixed rate loan as one that bears the same interest rate for the entire term of the loan. After loan approval, the lender may change the initial Note rate, including the base rate, the spread over the base rate, or from a fixed rate to a variable rate or from a variable rate to a fixed rate, provided the new interest rate does not exceed the maximum allowable interest rate at the time of the loan application. The lender must obtain the Borrower's written agreement and must notify the LGPC or appropriate CLSC of the change or, if prior to disbursement, make the change through E-Trans servicing. If SBA changes the permissible maximum interest rates for a specific 7(a) program, the new rates apply only to loans approved on or after the effective date of the change.
- 4 Lenders are reminded not to engage in any action that could create a Preference. (See definition in 13 CFR 120.10 - "Preference is any arrangement giving a Lender or a CDC a preferred position compared to SBA relating to the making, servicing, or liquidation of a business loan with respect to such things as repayment, collateral, guarantees, control, maintenance of a compensating balance, purchase of a certificate of deposit or extension or completion loan, without SBA's consent.") Especially problematic would be a lender's actions in connection with a non-monetary default on its own loan that may adversely affect an SBA guaranteed loan to the same Borrower.
- 5 Compromise with Borrower or Guarantor of all or a portion of accrued interest is permitted as a unilateral action.
- 6 Lender's Purchase demand must be made within 180 days after loan maturity or completion of liquidation / litigation actions, or SBA may be released of its liability on the loan Guaranty.
- 7 For loans that have been sold in the secondary market, any payment modifications, change to the loan amount, interest rate changes, extensions of maturity and deferrals over 90 days (cumulative) must have investor approval. Lenders should send these Servicing Requests directly to the FTA, with subsequent notification and evidence of investor approval forwarded to the appropriate CLSC.
- 8 Lenders must use E-TRAN to transfer loans to liquidation status and to cancel the SBA Guaranty prior to submission of Guaranty Purchase request. Lenders are obligated to pay the SBA Annual Service Fee for every approved loan until the lender cancels the guaranty in E-TRAN or submits a demand for guaranty purchase with a complete guaranty purchase package acceptable to SBA, per SOP 50 57 3 Ch. 23. Per C. Lenders may also use E-TRAN to correct 1502 reporting errors. If a permitted change is made in E-TRAN, a duplicate notice for the change is sent to a CLSC. After submission of Guaranty Purchase request, lenders will need to notify the Center in order to terminate the SBA Guaranty. After Guaranty Purchase, Lender's Must use pay.gov (SBA Form 172) to remit SBA's share of any recovery or payment, including payments that result in PIF. A Subsidy Recoupment Fee (SRF) is payable to SBA for loans with a maturity of 15 years or more that are pre-paid by more than 25% of the highest outstanding principal balance during any one of the first three successive 12-month periods following loan disbursement, per 13 CFR 120.223. Borrower is responsible for paying the SRF that Colson bills the lender when applicable.
- 9 SBA must be notified of a change in Borrower legal structure if it results in a change to EDN or SSN of any obligor. Prior owners of a business may not re-acquire an ownership interest in the business if SBA financing used to purchase the business from the prior owner(s) remains outstanding.
- 10 SBA required hazard insurance on all collateral (13 CFR 120.160). SBA considers it to be a prudent lending practice for lenders to maintain insurance on worthwhile collateral.
- 11 If the foreclosure proceeding is considered Non-routine or will exceed a budget of \$10,000, then the lender must submit a Litigation Plan to SBA.
- 12 Routine Litigation means uncontested litigation (such as non-adversarial matters in bankruptcy and undisputed foreclosure actions) having estimated legal fees not exceeding \$10,000. If you anticipate that your legal budget will exceed \$10,000, or that issues may arise that are non-routine, please provide SBA with an amended or updated Litigation Plan and budget via the loanresolution@sba.gov in-box for Herndon, psc_purchasing@sba.gov for Fresno, and LRSC_ExpressPurchase@sba.gov for Little Rock. Lenders should consult additional litigation requirements in SBA's regulations at 13 CFR 120.540. Lenders are cautioned not to incur legal fees or other costs on loans where recovery cannot reasonably be expected.
- 13 Non-routine Litigation includes:
 - (1) All litigation where factual or legal issues are in dispute and require resolution through adjudication
 - (2) Any litigation where legal fees are estimated to exceed \$10,000
 - (3) Any litigation involving a loan where a lender has an actual or potential conflict of interest with SBA
 - (4) Any litigation involving a 7(a) loan where the lender has made a separate loan to the same Borrower which is not a 7(a) loan.
- 14 SBA loans should be removed from liquidation status and returned to regular servicing when the borrower has executed a written agreement that provides for resumption of regular payments. Lenders must submit to SBA a copy of the executed workout or modification agreement along with their request to change the status of the loan back to regular servicing.
- 15 Lenders must contact the appropriate SBA center for any name changes which involve a borrower with loans to multiple institutions, as such action cannot be performed via E-TRAN.
- 16 Lenders must refer to the SOP 50 10 in effect at the time of loan approval for Program Guidelines and actions relative to Loan or Borrower Eligibility, guaranty or loan amounts, or those related to interest rates. If SBA changes the permissible maximum interest rate, guaranty percentage, or loan amount, those new Program Guidelines apply only to loans approved on or after the effective date of the change.
- 17 Lenders must provide sufficient evidence of the resolution of all SBA purchased loans within 24 months of purchase - unless SBA approves a written extension prior to the expiration of the applicable 24 month period. SBA reviews all extension requests on a case by case basis to evaluate the existence of extenuating circumstances that could warrant an extension, including judicial foreclosure and protracted bankruptcy proceedings. See SOP 50 57 2 Chapter 23, Paragraph F for additional guidance on the submission of extension requests.
- 18 Lenders may not unilaterally approve any adjustment to or change in the ownership of a Borrower, including a change in percentage of ownership, for 12 months after final disbursement on any loan. In order to obtain SBA's prior approval on requests for changes of ownership Lenders should submit a request to the appropriate Loan Servicing Center. The request should include the reason for the request, the details of the requested action, along with supporting documentation and the recommendation of the Lender.

For the most recent version of this matrix, [click here](#).

Capitalized words in this Matrix are defined in Ch 2 of SOP 50 57 2

Version 15 4/25/2019
Please check the SBA Website for the most up to date version.



Policy Notice Reminder 5000-19009

- Change in Ownership
- 1. Non Delegated and Delegated!
- 2. 7a and 504
- 3. 12 months from Final Disbursement
- 4. Adjustment to or Change in Ownership of Borrower
- 5. Including a Change in Percentage of Ownership
- 6. Effective April 1, 2019
- **7. No Longer a Unilateral Action**
- 8. Submit request to CLSC

Footnote

17

•Why?

•To Verify ...

- a. Comply with Limitations on the Aggregate Amounts of SBA Loans to Borrower Including Affiliates
- b. No Prior Loss to Government

Documentation Requirements for Actions taken within Unilateral Servicing Authority

When taking any servicing/liquidation actions not requiring SBA's prior written consent, please take great care to document the justifications for your decisions and retain these and supporting documents in your file. Such documentation will be crucial to SBA's review of your handling of the loan and for SBA's determination as to whether your actions were prudent, commercially reasonable, and complied with all Loan Program Requirements. This same documentation and justification is also crucial to facilitate the comprehensive SBA review of purchase packages and liquidation wrap-up reports which Lenders must submit to SBA at the completion of liquidation.

Document! Document! Document!

& Copy of Matrix in effect!

E-TRAN – Servicing

see [Matrix](#)

- E-TRAN provides lenders with the ability to view the status of their loans post-origination (maturity date, loan payments, etc.).
- **Guaranty Fee** calculator built into E-TRAN servicing module.
- Instant turn around on loan servicing actions.
- **Instant validation** provides comfort that there are no **errors** in data entry.....

SBA Form 1502 Reporting SOP 50-10

- **Mandatory on all 7a loans with an outstanding SBA guaranty, regardless of payment activity.**
- **The due date for the Form 1502 and payments is the third calendar day of each month, or the next business day if the third day is not a business day, plus a two business, day grace period.**
- **Responsibility of lender to know what loans to report.**
- **Important! CAFS – FTA – 1502 Gateway –**

1502 Common Errors

- **Loan status incorrectly in “Paid in Full”/status code “6”**
 - Lender reported erroneously on 1502 as “Paid in Full”.
 - If you repurchase a loan from the secondary market for the purposes of doing a payment modification (e.g., loan not paid in full) do not report as “Paid in Full”.
 - On **revolvers with \$ 0 balances, do not report as “Paid in Full”**. Report the 0 balance with the interest paid to date.
 - If a loan is transferred from one lender to another, be sure to report as a status code **7** “transferred” and **not** a status code **6** “Paid in Full”.
 - Loan has matured and system will automatically mark loan as “Paid in Full”.

1502 Common Errors (continued)

- **Disbursed revolver** loan being reported as **undisbursed** or **Paid in Full** when paid down to 0.
 - **Once revolver disbursed, DO NOT report as status code “9”.**
- Loan balance being reported, but no disbursement amount being reported.
- Loan balance is greater than approved Loan Amount:
 - Revolver loan incorrectly booked in system as term loan and undisbursed funds after 48 months decreased from loan amount.
 - Loan amount entered incorrectly in system.
 - Increase approved by SBA, but not entered by SBA in system.
- Loan not reporting on 1502
 - Incorrect SBA loan number.
 - Incorrect servicing lender.

HOW can I know?

1502 Reporting Error?

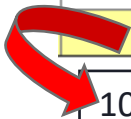
- ETRAN Servicing “**1502 Info**” – Click on it!



- Hover the Mouse Over the Error Message

Warn	Err	First Name	Last Name
	1068		Colson

Disb Amt	GSS	OutstBal Amt	Undisb Amt	OngngServ Fee	Extract Dt	MFUploadDt	Warn	Err	First Name	Last Name
\$18,358.00	1	\$18,358.00	\$0.00	\$0.00				1069,1042,1196		Colson
\$18,358.00	1	\$18,358.00	\$0.00	\$0.00				1042,1196		Colson



1068 loan is in inactive status

1	\$18,358.00	\$0.00	\$0.00					1069,1042,1196	Colson
---	-------------	--------	--------	--	--	--	--	----------------	--------

1069 PPP loans must be fully disbursed. ,1042 Outstanding balance plus Total Amount Undisbursed cannot exceed Loan Approval Amount (Net of Cancellations and Increases).. ,1196 Outstanding Balance must <= Current Loan Approval Amount.

1502 Reporting Error?

- Check the 1502 report ETRAN Servicing “**1502 Info**” – hover the mouse over the error message

Warn	Err	First Name	Last Name	Disb Amt	GSS	OutstBal Amt	Undisb Amt	OngngServ Fee	Extract Dt	MFUploadDt	Warn	Err	First Name	Last Name
	1068		Colson	\$18,358.00	1	\$18,358.00	\$0.00	\$0.00				1069 ,1042 ,1196		Colson
				\$18,358.00	1	\$18,358.00	\$0.00	\$0.00				1042 ,1196		Colson

1068 loan is in inactive status

1	\$18,358.00	\$0.00	\$0.00						1069 ,1042 ,1196		Colson	
---	-------------	--------	--------	--	--	--	--	--	------------------	--	--------	--

1069 PPP loans must be fully disbursed. ,1042 Outstanding balance plus Total Amount Undisbursed cannot exceed Loan Approval Amount (Net of Cancellations and Increases).. ,1196 Outstanding Balance must <= Current Loan Approval Amount.

- Loan Amount = **\$18,357.50**
- Lender Reported they Disbursed **\$18,358.00**
- **It doesn't Balance!**
- **Moral = Read the Error Message!**

Loans Sold on the Secondary Market

- **Interest Paid to Date more than 60 days in Arrears!**
- Or
- **Payment Default Uncured for More than 60 days**
- **60 days** = Lender.....Can this be Cured?
- If not...
- **Lender Purchase it Back!**
- OR...
- **SBA Purchase it Back!** - PDK within 45 days
- If it is More than 120 days and SBA Purchases it Back.....
- SBA will BILL the Lender for the Interest Accrued Beyond the 120 Days!
- ## Make A Decision!
- See 1086 paragraph 10

Seasoned Loans

Servicing requests should generally be less stringent for “seasoned” loans. However, lenders must exercise care to avoid abuse of the classification. If a lender recommends a request based on the “seasoned” loan classification, lenders must identify this classification in their credit write up.

- **Seasoned Loan** means that for **18 months** after the **initial disbursement / final disbursement** if it occurred more than six months after the initial disbursement, or if there was a default, the Borrower cured it and for **12 months** following the 18 month post-disbursement period, the Borrower did not:
 - a. **Fail** to make a scheduled loan payment;
 - b. Fund a scheduled loan payment from the **sale of collateral**;
 - c. Have **more than three consecutive** scheduled full payments deferred; or
 - d. Experience an **event of default that required the loan to be classified in liquidation.**

Maturity Extensions

- Analysis and review of request should follow requirements found in SOP 50-57-2 - Chapters 6 and 7.
- **Unilateral if loan has not matured.**
- May be extended for up to 10 years beyond its original maturity date if:
 - The extension is requested before the SBA loan guaranty expires, less than 180 calendar days after the maturity date.
 - Will aid in orderly repayment of the loan.
- **If applicable, additional guaranty fee will have to be paid within 30 days of approval or entire loan will cancel.**

Think original 12 month term... First extension of Maturity!

Note: Lenders are not required to pay an additional guaranty fee if a maturity date extension is needed to **aid in the orderly liquidation** of the loan **and no additional funds are disbursed.** SOP 50 57 2 page 54

Maturity Extensions

- Analysis and review of request should follow the requirements found in SOP 50-57-2 - Chapters 6 and 7.

- Unilateral if loan has

- May be extended up to 12 months beyond its original maturity date if:

- Request is requested before the SBA loan matures, less than 180 days after the maturity date.
- Will aid in orderly repayment of the loan.

- **If applicable, additional guaranty fee will have to be paid within 30 days of approval or entire request will be canceled.**

Think of it as a 12-month term... First extension of Maturity!

Note: Lenders are not required to pay an additional guaranty fee if a maturity date extension is needed to **aid in the orderly liquidation** of the loan **and no additional funds are disbursed**. SOP 50 57 2 page 54

Increases – Express Revolvers

- Not allowed on Recovery Act or Jobs Bill Loans. **Funds have exhausted.**
- Increase on these (Express Revolvers) must be requested within **7 years** from the date of approval. **50 10 5 J & K & 6- 5 years !**
- For maximum loan amount, refer to the SOP 50-10 which was in effect at the time the loan was approved.
- Any increase request on an Express Revolver Loan that is above **33% above the original loan amount must include an analysis of appropriate credit and risk factors.**
- **Additional guaranty fee due within 30 days from Date of SBA approval of increase. Note: if lender increases in E-TRAN fee is due!**

Increases – Express Revolvers

- Not allowed on Recovery Act or Job Retention Act loans that have exhausted.
- Increase on these (Express Revolver) must be requested **12-18 months** from the date of **J & K & 6- 5 years** years
- For amount, refer to the SBA **which was in effect at the** was approved.
- Any increase request on an Express Revolver Loan that is above **33% above** the original loan amount must include an **analysis of appropriate credit and risk factors.**
- Additional guaranty fee due within 30 days from Date of SBA approval of increase. Note: if lender increases in E-TRAN fee is due!

Make Change in E-Tran

Danger Will Robinson!

Increases – Term Loans

- Not allowed on Recovery Act or Jobs Bill Loans. Funds have exhausted.
- Any increase request on a Standard 7 (a), CLP, PLP, SBA Express and Pilot Loan Program term loan that is more than **20% of the original loan amount** or is more than **18 months after the original approval date**, the lender must include with its request its analysis showing the purpose of the increase is the same as the original purpose of the loan and the borrower's cash flow can support the increased payment amount.
- Key to remember **48 months**...Increases within the first 48 months on term loans!
- For maximum loan amount, refer to the SOP 50-10 that was in effect at the time the loan was approved.
- If sold on the **secondary market**, SBA cannot approve increase without **investor approval**.

Increases – Term Loans

- Not allowed on Recovery Act or Jobs Bill Loans. Funds have exhausted.
- Any increase request on a Standard 7 (a), CLP, PLP, SBA Express and Pilot Loan Program term loan that is more than **20% of the original loan amount** or is more than **18 months after the original approval date**, the lender must include with its request its analysis showing the purpose of the increase is the same as the original purpose of the loan and the borrower's cash

Does it Debt Service - Same Use of Proceeds

- Key to remember **48 months**...Increases within the first 48 months on term loans!
- For maximum loan amount, refer to the SOP 50-10 that was in effect at the time the loan was approved.
- If sold on the **secondary market**, SBA cannot approve increase without **investor approval**.

Increases – Term Loans

- Not allowed on Recovery Act or Jobs Bill
- Any increase request on a SBA Express Loan Program term loan that is more than **20%** **approval date**, the **amount** or is **months after the original** increase in **months after the original** with its request **analysis showing the purpose of the** original purpose of **the borrower's cash flow can** support **payment amount**.
- Key to **48 months**...Increase **the first 48 months on term loans!**
- For maximum loan amount **SOP 50-10** that was in effect at the time the loan was approved.
- If sold on the **second** **market**, SBA cannot approve increase without **investor approval**.
- **Additional guaranty fee due within 30 days from Date of SBA approval of increase.**

Make Change in E-Tran

Danger Will Robinson!

Increases

- **But Wait!**

- **No Increases**

- **Loans Approved**

- **(E-Tran = Funded)**

- **12/27/20 thru 09/30/21**

- **Notices 5000-823852 & 829036**

• But Wait!

• Increases

- Prior 12/27/20
- Review Section 1112 payments
- Have they received all eligible payments
- Not eligible = No Payments

Delegated = Document file / Increase in E-Tran

Non-Delegated =

Increase request to the CLSC

Submit Certification on Section 1112 w/increase

Increases

- **But Wait!**

- **Increases**

Additional Guaranty Fee may be billed

**Additional Guaranty Fee
may be Billed!**

Guaranty Fee and Guaranty Rate:

Based on Approval Date = Funded Date in E-Tran

- Maturity of 12 months or less = 0.25%
- Maturities over 12 Months
- Gross loan: \$150,000 or less = 2.0% of guaranteed portion
- Gross loan: \$150,001 - \$700,000 = 3.0% of guaranteed portion
- Gross loan: \$700,001 - \$5,000,000 = 3.5% of guaranteed portion up to \$1,000,000
- **PLUS 3.75%** of the guaranteed portion over \$1,000,000

Guaranty Fee and Guaranty Rate:

- Gross loan: \$150,000 or less = 2.0% of guaranteed portion
- Borrower pays the 2%
- Lender retains 25% of the 2% = .5%
- Lender remits to the SBA 1.5%
- The Fee E-Tran Shows as Billed is the 1.5%

But Wait!

- Guaranty Fee FYE 2022

Policy Notice 5000-818641

- Maturity of 12 months or less =
- Loans of \$350,000 or less: 0.00%.
- Loans greater than \$350,000: 0.25% of the guaranteed portion
- Note:

Maturity extension may cause an additional Guaranty Fee Billed!

But Wait!

- Guaranty Fee FYE 2022

Policy Notice 5000-818641

- Maturity of 12 months or less =
- Loans of \$350,000 or less =
- Loans greater than \$350,000: 0.25% of the guaranty fee
- Note:

Danger Will Robinson!

Maturity extension may cause an additional Guaranty Fee Billed!

But Wait!

- Guaranty Fee FYE 2022

Policy Notice 5000-818641

- Maturities over 12 Months
- Gross loan: \$350,000 or less = 0% of guaranteed portion
- Gross loan: \$350,001 - \$700,000 = 2.77% of guaranteed portion
- Gross loan: \$700,001 - \$1,000,000 = 3.27%

But Wait!

- Guaranty Fee FYE 2022

Policy Notice 5000-818641

- Gross loan: \$1,000,001 - \$5,000,000 =
- 3.5% of guaranteed portion up to \$1,000,000
- = \$35,000.00
- **PLUS 3.75%** of the guaranteed portion over \$1,000,000

But Wait!

- Companion Loans =
- Approved within 90 days of each other =
- Add loan amounts together to determine the rate!

CAPLines

- **Maturity on CAPLines approved after 10/1/11 = Revolving period no greater than 10 years, except on Builder's Capline which cannot exceed 5 years.**
- Maturity on CAPLines approved **prior to 10/1/11** = Revolving period no greater than **5 years**.
- Increases:
 - Not allowed on Recovery Act or Jobs Bill Loans. Funds have exhausted.
 - **Increases on loans approved prior to 10/1/2011, limited to one increase and no more than 33.3% above the original loan amount.** On what is required for an increase request, please refer to the 50-10 that was in effect at time the loan was approved.
 - **Loans approved on or after 10/1/11, SOP 50-10-5, 6 series, Subpart B, Chapter 3, Paragraph D** that revolver loans must be requested **within 10 years from the date of loan approval** unless **Builder's CAPLine then 5 years from date of loan approval**. Lender's request must include an analysis of the appropriate credit and risk factors along with the borrower's cash flow can support the increased payment amount.
- **Moral for CAPLines....GO to the SOP 50 10 in effect to review.**

How to Obtain SBA Approval of a Proposed Loan Action.

All Serving requests must be reviewed, analyzed and acted upon in accordance with prudent lending practices. As long as the Borrower is viable, the goal should be to meet the Borrower's short and long term needs without impairing the integrity of the SBA loan program.

For assistance on what is needed to be reviewed and analyzed, relevant steps listed in SOP 50-57-2, Chapter 6, Paragraphs B1-B11.

Letter, as in e-mail, Outlining Request:

- A brief description of the proposed Loan Action.
- The amount funded, dated of funding, current balance and status of the loan.
- **Bullet Point ..please no War and Peace!**
- Justification for the proposed Loan Action.
- The current financial condition of the Borrower.
- If the proposed Loan Action will increase the risk of loss, any mitigating factor.

How to Obtain SBA Approval of a Proposed Loan Action (Continued)

- **A summary of prior servicing experience with the borrower;**
- **Whether the written consent of the FTA is required, if so, whether it has been obtained;**
- **If the proposed Loan Action will impact collateral.**
 - **An summary of prior Loan Actions impacting the collateral an analysis of the Recoverable Value of the collateral both before and after the proposed Loan Action; and**
- **A list of the Obligors and a statement as to whether their consent has been or will be obtained for the proposed Loan Action.**

- **It is not necessary to include a copy of the borrower's financial statement or supporting documents provided that they are adequately analyzed in the credit memo.**

Basic Outline

- **Release of Guarantor**

- *(SOP 50 57 or 50 55, Chapter 8, Paragraph G)*
- Loan was approved on 12/01/2015
- Disbursed on 12/01/2015
- Approved loan amount of \$1,000,000
- Current balance of \$974,000
- This is (**not**) a seasoned loan

- **SUMMARY:**

- Requesting a release of guarantor Mama Cass

- **Reason:**

- McGuinn and McGuire still a-gettin higher.....
- She has no ownership in the business and/or business assets. At origination, a residence was going to be taken as collateral. The residence was 100% owned by her. **The residence was removed (prior to funding) due to not meeting the equity requirements; however, the guaranty was not.**

- **IMPACT ON BUSINESS:**

- There will be no material impact to the business.

- **OBLIGORS BEFORE:**

- The Mamas and the Papas, LLC (borrower), Net Worth \$.....
- John Phillips (guarantor) Net Worth \$.....
- Michelle Phillips (guarantor) Net Worth \$.....
- Denny Doherty (guarantor) Net Worth \$.....
- Mama Cass (guarantor) to be released Net Worth \$.....

- **OBLIGORS AFTER:**

- The Mamas and the Papas, LLC (borrower),
- John Phillips (guarantor)
- Michelle Phillips (guarantor)
- Denny Doherty (guarantor)

- **FINANCIAL ANALYSIS:**

- DSC for 2017 1.25
- DSC for 2018 1.37
- DSC for 2019 1.19

- **COLLATERAL ANALYSIS:**

- Collateral is All Business Assets with an LTV of 125%

- Then Attach Credit Memo - Please Oh Please Do Not just send us a 37 page Credit Memo attached to an e-mail that says Guarantor Release

Loan Sold on Secondary Market

- SOP 50-57-2, Chapter 12 & Secondary Participation Guaranty Agreement Form **1086**.
- Investor approval is required for the following:
 - Adjustments to the interest rate of any kind.
 - Increase to the loan amount.
 - Extension/modification of the loan maturity.
 - Change to a seasonal/periodic payment plan.
 - Modification of the installment amount.
 - Change to interest accrual basis.
 - Deferment of payments (lender may unilaterally grant a one-time deferment of up to 3 months without obtaining prior permission from the investor).

Does it
Mess with
the Note?
2ndry Mkt
Approval!

Investor Decline

- Repurchase loan from secondary market
 - Loan greater than 60 days in default – Unilateral Authority.
- Emergency Repurchase – Requires SBA approval.
 - SOP 50-57-2, Chapter 7, Paragraph 2b & Secondary Market Guaranty Agreement Form 1086
- Non-delinquent loans.
- Critical situations where a borrower's ability to remain in business depends upon a modification of the installment payments.
- Written decline from investor to a specific request for a change in the terms and conditions of payment.
- Current financial statements of the borrower.
- Statement that the proposed change in terms and conditions of the loan is solely for the benefit of the borrower; and
- Lender certification that it will make the requested change in the terms and conditions if repurchase is approved by SBA.

Assignment of Lender's Interest in Loan

TOP = Transfer of Participation

- SOP 50-57-2, Chapter 11.
- A Lender may assign an individual 7(a) loan to another 7(a) Lender pursuant to Transfer of Participation Agreement.
 - Request completed/submitted to CLCS by new lender and agreement signed by both lenders.
 - SBA **does not charge a fee, nor does it require or prohibit** the assignor Lender from negotiating assignment fee to be paid by the assignee Lender.
 - Transfer of Participation Request/Agreement found on SBA's website.

Documentation associated with Loan Actions

For all **7a loans**, the SBA relies on the lender/its legal counsel to prepare/execute documents that are legally sufficient (e.g., Subordination Agreement).

These types of legal documents do not need to be submitted to SBA for review/execution.

For **504 loans**, the SBA has **approved documents that are legally sufficient** (e.g., Subordination Agreement) which the CDCs need to complete and submit to the SBA for review/execution and can be found at:

Fresno <https://www.sba.gov/FresnoCLSC/useful-links>

Little Rock <https://www.sba.gov/LittleRockCLSC/useful-links>

Helpful Hints On Protecting The Guaranty

- **Close loan according to Loan Authorization!**
- **Be familiar with SOP 50-10 5 (J), 13 CFR, SOP 50-57-2, and Policy Notices, which can be found on Servicing website.**
- **Document, Document, Document** all credit decisions, which should be reasonable and prudent.
- **Service and Liquidate SBA Loan in the same manner as lender's non-SBA loans.**
- **Include 7a Lender Matrix** as part of lender's documentation when approving requests under lender's delegated, unilateral authority. Always check Servicing Website weekly for most recent version.
- **File internal bank loan according to SBA's Ten Tab Purchase Demand Kit.** This is to ensure lender has all appropriate documents at the time lender demands SBA honor its guaranty.

RESOURCES

- Servicing SOP 50-57-2 and/or 50 55 .
- Loan Processing SOP 50-10 5 (J) or in effect at time of loan approval.
- 13 CFR.
- 7(A) Lender Matrix, Version 13 Effective May 5, 2015.
- CDC Matrix, Version 2 Effective February 14, 2014
- Forms/Requests:
 - 2237
 - Reinstatement of Paid in Full loans.
 - Transfer of Participation.
- Secondary Participation Guaranty Agreement Form 1086
- Colson Servicing Manual.
- <https://www.sba.gov/FresnoCLSC>
- <https://www.sba.gov/LittleRockCLSC>

Questions????

