



# 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 relevant change. Use of these tools, however, is not a substitute for keeping up-to-date with SBA Loan Program Requirements or complying with them. In the event of a conflict between a tool relied upon by a Lender and the applicable Loan Program Requirement, the Loan Program Requirement will prevail.

Words beginning with a capital letter in this Matrix have the same definition as they have in SOP 50 57

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. After final disbursement, actions that require prior SBA notification and requests for prior SBA approval Must be sent to the appropriate Commercial Loan Servicing Center (CLSC). Actions requiring prior SBA notification will receive an acknowledgment stating that the notification was received. Actions that do not require prior SBA notification or approval will not receive an acknowledgement. Lenders are encouraged, but not required to use E-Tran servicing for the actions marked with an X in the E-Tran column of the table below. If a lender makes a change using E-Tran servicing, a separate notification to SBA is not required. Help for E-Tran set up may be found here:

<http://www.sba.gov/content/e-tran-login>

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

		Unilateral Action			Requires Prior SBA Approval	Form 2237 <sup>13</sup>
		E-Tran	Center	N/A		
<b>Approved Loans Prior to Final Disbursement - See SOP 50 10 5, Subpart B</b>						
Changes to Loan Authorization within loan program guidelines:						
Loan approved under delegated authority <sup>1</sup>						
Loan approved by the Standard 7(a) Loan Guaranty Processing Center						
Increase loan amount or SBA's Guaranty percentage						
Decrease loan amount or SBA's Guaranty percentage						
Change interest rate <u>prior</u> to initial disbursement <sup>2</sup>						
Change interest rate <u>after</u> initial disbursement <sup>2</sup> <b>E-tran Functionality Coming Soon!</b>						
Change an obligor EIN or SSN for loan approved under delegated authority						
Change loan maturity date						
Extend final disbursement date						
Change Obligor's address or legal/trade name of business						
Cancel SBA Guaranty <u>prior</u> to initial disbursement						
Cancel SBA Guaranty <u>after</u> initial disbursement						
Reinstatement of SBA Guaranty						
<b>Loans in Servicing &amp; Liquidation (after final disbursement)</b>						
<i>See SOP 50 57 and 13 CFR 120.535 and 120.536</i>						
<b>SBA Approval Required</b>	Increase loan amount or SBA's Guaranty percentage					
	Confer a Preference <sup>3</sup> onto lender or engage in activity that creates conflict of interest					
	Release Borrower or Guarantor					
	Compromise principal balance owed <sup>4</sup>					
	Assumption of loan with release of original Borrower / Guarantor					
	Take title to any property in the name of SBA					
	Take title to Contaminated property, or take over operation or control of a business that handles Hazardous Substances or is located on Contaminated property.					
	Emergency Purchase from secondary market					
	Determination of involuntary prepayment / subsidy recoupment fee					
	Reinstatement of SBA Guaranty					
<b>Etran Update or SBA Notification Required</b>	Extraordinary servicing fee per 13 CFR 120.221(b)					
	Transfer, sell or pledge more than 90% of a loan					
	Transfer, sell or pledge 90% or less of a loan					
	Decrease SBA's Guaranty percentage <b>E-tran Functionality Coming Soon!</b>					
	Terminate SBA Guaranty prior to Guaranty Purchase <b>E-tran Functionality Coming Soon!</b>					
	Extend maturity <u>prior</u> to stated maturity date for loans in Regular Servicing					
	Extend maturity <u>prior</u> to stated maturity date for loans in Regular Servicing					
	Reamortize / restructure loan <sup>6</sup> <b>E-tran Functionality Coming Soon!</b>					
	Change interest rate <u>within</u> loan program guidelines <sup>2,5</sup> <b>E-tran Functionality Coming Soon!</b>					
	Change EIN or SSN					
	Change Obligor's address or legal/trade name of business					
	Transfer loan into liquidation status <sup>7</sup>					
	Return loan to regular servicing status <b>E-tran Functionality Coming Soon!</b>					
	Change a loan to PIF status <sup>7</sup>					
	Assumption of loan without release of original Borrower / Guarantor					
Change loan from revolving to non-revolving						

SUPERCEDED



# Servicing and Liquidation Actions

## 7(a) Lender Matrix

	Unilateral Action			Requires prior SBA Approval	Form 2237 <sup>12</sup>
	E-Tran	Center	N/A		
<b>No Approval or Notification</b>	Change in Borrower's legal structure <sup>8</sup>		X		
	Subordinate / release lien <sup>3</sup>		X		
	Defer payments <sup>6</sup>		X		
	Release / substitute collateral <sup>3</sup>		X		
	Accept prepayments (subsidy recoupment fee may apply)		X		
	Changes to Loan Authorization, including changes to use of proceeds		X		
	Correct typographical errors in loan documents		X		
	Make loan that does not adversely affect collateral position of SBA guaranteed loan		X		
	Change flood, life or hazard insurance requirements <sup>9</sup>		X		
<b>Liquidation Actions</b>					
Liquidation Plans and amendments for loans approved under CLP procedures (Liquidation Plans are encouraged for other loans as an aid to recovery)				X	
Sale of collateral or acquired collateral to the Lender, an Associates of Lender, employee of Lender or Close Relative of an employee of the Lender				X	
Private sale of collateral or acquired collateral to an Obligor, or Close Relative or Associate of an Obligor				X	
Public, private or negotiated sale of collateral (other than those above)			X		
Initiate foreclosure proceeding <sup>10</sup>			X		
Obtain Phase I or Phase II environmental audit (may be needed for possible acquisition of property or other reason)			X		
Deed in lieu of foreclosure that will not prevent recovery from Borrower / Guarantors			X		
Enter Protective Bid at foreclosure sale			X		
Purchase or pay prior lien			X		
Site visit			X		
Obtain current Appraisal			X		
Pay real estate taxes			X		
Hire auctioneer or appraiser			X		
Postpone liquidation action if necessary			X		
Abandon collateral when justified			X		
<b>Litigation Actions</b>					
Litigation Plan and budget (for Routine Litigation <sup>11</sup> and legal fees under \$10,000)			X		
Litigation Plan and budget (if legal fees exceed \$10,000 or Non-routine Litigation <sup>12</sup> ; or if Routine Litigation becomes non-routine)				X	
Amendments to Litigation Plans where material changes are made that were not addressed in the original plan				X	
Any amendments to an approved Litigation Plan if fees increase by more than 15%				X	

### Lender Documentation

SBA values the diligence of its 7(a) lenders in diligently servicing and maximizing recoveries on defaulted loans while addressing Borrower needs. SBA has substantially shortened the list of actions requiring prior SBA approval and standardized them across lending programs where possible in order to assist lenders in taking prompt and responsible servicing and recovery actions. If an action requires that a fee be paid to SBA (such as for an increase to a loan amount or extension of maturity of a short term loan to over 12 months), SBA strongly encourages the lenders to remit fees to SBA using [www.pay.gov](http://www.pay.gov) (in accordance with SBA Procedural Notice 2000-766 dated 7/13/2009 and SOP 50 57, Effective 3/1/13).

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 notate the loan file with a statement such as, "This action was taken under unilateral authority."

### Lender Reporting after Guaranty Purchase (Liquidation Status Reports)

- (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) Quarterly after Guaranty Purchase by SBA (from the secondary market or directly from the lender), lenders Must submit a liquidation status report addressing the issues in (1) above.
- (3) Lenders Must submit 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. The suggested wrap-up format can be found at:

[http://www.sba.gov/idc/groups/public/documents/sba\\_program\\_office/bank\\_wrapup\\_report.pdf](http://www.sba.gov/idc/groups/public/documents/sba_program_office/bank_wrapup_report.pdf)



# Servicing and Liquidation Actions

## 7(a) Lender 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](mailto:loanresolution@sba.gov)
- Expense reimbursement submission and questions: [sbacpc@sba.gov](mailto:sbacpc@sba.gov)
- Wrap up submission and questions: [sbachargeoff@sba.gov](mailto:sbachargeoff@sba.gov)
- General Purchase questions: [sbaPurchase@sba.gov](mailto:sbaPurchase@sba.gov)
- Questions regarding in process Purchases: [Purchasestatus@sba.gov](mailto:Purchasestatus@sba.gov)
- Secondary market questions: [secondarymarketliq@sba.gov](mailto:secondarymarketliq@sba.gov)

Please visit the National Guaranty Purchase Center Website for all Liquidation and Purchase (non-SBAExpress) related questions at:

<http://www.sba.gov/aboutsba/sbaprograms/elending/ngpc/index.html>

### Commercial Loan Service Centers

Lenders Should direct their servicing action/request and SBA Form 2237 checklist to:

- [Fresno Service Center at fsc.servicing@sba.gov](mailto:fsc.servicing@sba.gov)
- [Little Rock Service Center at lrservicing@sba.gov](mailto:lrservicing@sba.gov)

Please visit the Commercial Loan Service Centers' Website for all Servicing and SBAExpress Purchase related questions at:

<http://www.sba.gov/aboutsba/sbaprograms/elending/clc/index.html>

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

[For the most recent version of this matrix, click here! Need to add a hyperlink.](#)

### Footnotes

- After closing a PLP loan, the lender Must send to the appropriate CLSC (Fresno or Little Rock) a copy of the executed authorization, including any modifications. (SOP 50 10 5, subpart B, chapter 7)
- SBA defines a fixed rate loan as one that bears the same interest rate for the entire term of the loan. On loan approval and prior to first disbursement, the lender may change the initial Note rate, including changing 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 CLSC of the change or make the change through E-Tran servicing. After the loan is disbursed, on a variable rate loan, the lender may change the base rate or the spread over the base rate as long as the new base rate or the spread is based on a method permitted when the loan was approved and is consistent with the interest rate regulations at the time the loan was approved. The lender Must obtain the Borrower's written agreement and Must notify the appropriate CLSC of the change or make the change through E-Tran 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.
- Lenders are reminded not to engage in any action that could create a Preference Test 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 acceptance of a separate or companion 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 its SBA guaranteed loan to the same Borrower.
- Compromise with Borrower or Guarantor of all or a portion of accrued interest is permitted as a unilateral action.
- 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.
- For loans that have been sold in the secondary market, any payment modifications, 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 notification of investor approval forwarded to the SBA CLSC. Lenders are also reminded that requests for extensions of maturity on short-term loans (less than a year) require payment of the additional Guaranty fee associated with loans with a maturity of more than one year, within 30 days of SBA approval or Lender's change in E-Tran, unless the additional Guaranty fee owed or an explanation that the extension is solely for purposes of orderly repayment (subject to determination by SBA). For a loan not sold in the secondary market, lenders may extend the maturity up to a maximum of 10 years beyond the loan's original maturity if the extension will aid in the orderly repayment of the loan.
- Lender's Should use SBA Form 1502 to transfer loans to liquidation status and report loans as PIF prior to Guaranty Purchase. Lenders may use E-Tran to correct 1502 reporting errors and Should use E-Tran where it is listed as an option in the Matrix. If a permitted change is made in E-Tran, a duplicate notice for the change Should not be sent to a CLSC. After Guaranty Purchase, Lender's Must use pay.gov to remit SBA's share of any recovery or payment, including payments that result in PIF.
- SBA Must be notified if a change in Borrower legal structure involves changing legal name, trade name, EIN or SSN.
- SBA considers it to be a prudent lending practice for lenders to maintain insurance on worthwhile collateral.
- 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.
- 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](mailto:loanresolution@sba.gov) in-box. 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.
- Non-routine Litigation includes:
  - All litigation where factual or legal issues are in dispute and require resolution through adjudication
  - Any litigation where legal fees are estimated to exceed \$10,000
  - Any litigation involving a loan where a lender has an actual or potential conflict of interest with SBA
  - 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.
- For the most recent version of SBA Form 2237, click here: