



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.

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, as identified below. For actions requiring SBA notification via the Center, Lenders will receive a reply acknowledging that the notification was received. Actions submitted to the Center that do not require SBA notification or prior SBA approval will not receive an acknowledgement.

If a lender makes a change using E-Tran servicing, a separate notification to SBA is not required and Should not be sent.		Unilateral Actions			Requires Prior SBA Approval
		E-Tran Required	Notify Center	No Notification Required	
		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			
<u>Approved Loans Prior to Final Disbursement - See SOP 50 10 5, Subpart B</u> <i>*Revolving lines of credit are considered fully disbursed upon initial disbursement</i>					
	Changes to Loan Authorization within loan program guidelines:				
1	Loan approved under delegated authority ¹			X	
2	Loan approved by the Standard 7(a) Loan Guaranty Processing Center (LGPC)				X
3	Increase or Decrease loan amount on loans approved under delegated authority ¹	X			
4	Increase or Decrease loan amount on loans approved by the Standard 7(a) LGPC				X
5	Change in SBA's Guaranty percentage				X
6	Change interest rate <u>prior</u> to initial disbursement ²	X			
7	Change interest rate <u>after</u> initial disbursement ²		X		
8	Change an obligor EIN or SSN for loan approved under delegated authority ¹⁷		X		
9	Change loan maturity date	X			
10	Extend final disbursement date			X	
11	Change Obligor's address or legal/trade name of business ¹⁷	X			
12	Cancel SBA Guaranty <u>prior</u> to initial disbursement	X			
13	Cancel SBA Guaranty <u>after</u> initial disbursement ⁷	X			
14	Change the monthly payment amount in E-Tran. (Loan should be amortized at least annually)	X			
15	Change the adjustment period in E-Tran	X			
16	Change from the Date of the Note to the Date of Initial Disbursement in E-Tran	X			
17	Change the Borrower's Name or Address in E-Tran ¹⁷	X			
18	Add a Guarantor (All SOP Requirements apply as in original processing, 1919, Credit, etc.) ¹⁷	X			
19	Change in the ownership of a Borrower prior to final disbursement ¹⁷				X
20	Reinstatement of SBA Guaranty				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).			
<u>Loans in Servicing & Liquidation (after final disbursement)</u> <i>See SOP 50 57 2 and 13 CFR 120.535 and 120.536</i>					
SBA Approval Required	1 Activity creating real, apparent, or potential conflict of interest/ Confer a Preference ³				X
	2 Release Borrower or Guarantor				X
	3 Compromise principal balance owed ⁴				X
	4 Assumption of loan with release of original Borrower / Guarantor				X
	5 Take title to any property in the name of SBA				X
	6 Take title to Contaminated property, or take over operation or control of a business that handles Hazardous Substances or is located on Contaminated property.				X
	7 Emergency Purchase from secondary market				X
	8 Determination of involuntary prepayment / subsidy recoupment fee				X
	9 Reinstatement of SBA Guaranty				X
	10 Extraordinary servicing fee per 13 CFR 120.221(b)				X
	11 Increase loan amount on loans approved by the Standard 7(a) LGPC ⁶				X
	12 Transfer, sell or pledge more than 90% of a loan				X
	13 Change in the ownership of a Borrower in the first 12 months after final disbursement ¹⁷				X
Etran Update or SBA Notification Required	1 Transfer, sell or pledge 90% or less of a loan		X		
	2 Decrease to loan approval amount or SBA's Guaranty percentage		X		
	3 Terminate SBA Guaranty <u>prior</u> to submission of Guaranty Purchase Demand Kit ⁷	X			
	4 Extend maturity prior to stated maturity date for loans in Regular Servicing ^{6, 15}	X			
	5 Extend maturity prior to stated maturity date for loans in Liquidation		X		
	6 Change interest rate <u>within loan program guidelines</u> ^{2, 6}		X		
	7 Change in Borrower's legal structure ^{8, 17}		X		
	8 Add a Guarantor to the loan ¹⁷	X			
	9 Correct or Change EIN or SSN ⁸		X		
	10 Change Obligor's address or legal/trade name of business ^{8, 14, 17}	X			
	11 Assumption of loan without release of original Borrower / Guarantor ¹⁷	X			
	12 Transfer loan into liquidation status ⁷	X			
	13 Return loan to regular servicing status ¹³		X		
	14 Change a loan to PIF status ⁷	X			
	15 Increase loan amount on loans approved under delegated authority ⁶	X			
	16 Change loan from revolving to non-revolving	X			

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



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7(a) Lender Matrix

			Unilateral Actions			Requires Prior SBA Approval
			E-Tran Required	Notify Center	No Notification Required	
No Approval or Notification	1	Subordinate / release lien ³			X	
	2	Defer payments ^{3, 6}			X	
	3	Release / substitute collateral ³			X	
	4	Accept prepayments (subsidy recoupment fee may apply)			X	
	5	Changes to Loan Authorization, including changes to use of proceeds ¹⁷			X	
	6	Correct typographical errors in loan documents (including Loan Authorization)			X	
	7	Make loan that does not adversely affect collateral position of SBA guaranteed loan			X	
	8	Change flood, life or hazard insurance requirements ⁹			X	

Liquidation Actions⁵

1	Liquidation Plans and amendments for loans approved under CLP procedures (Liquidation Plans are encouraged for other loans as an aid to recovery)				X
2	Sale of collateral or acquired collateral to the Lender, an Associate of Lender, employee of Lender or Close Relative of an employee of the Lender				X
3	Private sale of collateral or acquired collateral to an Obligor, or Close Relative or Associate of an Obligor				X
4	Appoint a receiver				X
5	Continue liquidation actions for more than 24 months past date of guaranty purchase ¹⁶				X
6	Public, private or negotiated sale of collateral (other than those above) ³			X	
7	Initiate foreclosure proceeding ¹⁰			X	
8	Obtain Phase I or Phase II environmental audit (may be needed for possible acquisition of property or other reason)			X	
9	Deed in lieu of foreclosure that will not prevent recovery from Borrower/Guarantors			X	
10	Enter Protective Bid at foreclosure sale			X	
11	Purchase or pay prior lien ³			X	
12	Site visit			X	
13	Obtain current Appraisal			X	
14	Pay real estate taxes			X	
15	Hire auctioneer or appraiser ³			X	
16	Postpone liquidation action if necessary ¹⁶			X	
17	Abandon collateral when justified			X	
18	Terminate SBA Guaranty after submission of Guaranty Purchase Demand Kit ⁷		X		

Litigation Actions

1	Litigation Plan and budget (for Routine Litigation ¹¹ and legal fees under \$10,000)			X	
2	Litigation Plan and budget (if legal fees exceed \$10,000 or Non-routine Litigation ¹² ; or if Routine Litigation becomes non-routine)				X
3	Amendments to Litigation Plans where material changes arise that were not addressed in the original plan				X
4	Any amendments to an approved Litigation Plan if fees increase by more than 15%				X

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

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

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) 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.

[Herndon Charge Off Tabs](#)

[Fresno/Little Rock Charge Off Tabs](#)



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: sbacpc@sba.gov
Wrap up submission and questions: sbachargeoff@sba.gov
General Purchase questions: sbaPurchase@sba.gov
Questions regarding in process Purchases: Purchasestatus@sba.gov
Secondary market questions: secondarymarketliq@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 - fsc.purchasing@sba.gov
General liquidation actions and questions - fsc.purchasing@sba.gov
Questions regarding Servicing - fsc.servicing@sba.gov
Charge Off/OIC submission and questions - fsc.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/OIC 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 ETRAN for loans approved after 01/01/2018
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
- 2** 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-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
- 3** 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 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 an SBA guaranteed loan to the same Borrower.
- 4** Compromise with Borrower or Guarantor of all or a portion of accrued interest is permitted as a unilateral action.
- 5** 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.
- 6** 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 deferments 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.
- 7** 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 2 Ch.23. Par.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 not to be sent to a CLSC. After submission of Guaranty Purchase request, lenders will need 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.
- 8** SBA Must be notified of a change in Borrower legal structure if it results in a change to EIN 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.
- 9** 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.
- 10** 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.
- 11** 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, fsc.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.
- 12** 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.
- 13** 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.
- 14** 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.
- 15** 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.
- 16** 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.
- 17** 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!](#)



Servicing and Liquidation Actions CDC Matrix

All actions require SBA notification.
Actions that require prior SBA approval are identified.

"X" = Requires prior SBA approval

PCLP CDCs

Non-PCLP
CDCs

Loan Program Integrity Matters - Chapter 1

Take any action that requires an exception to policy:	X	X
Take any action that confers a Preference, or results in the appearance of a Preference on a CDC, an Associate of the CDC, Third Party Lender, or an Associate of the Third Party Lender	X	X
Take any action for which SBA's prior written consent is required by another Loan Program Requirement	X	X

Environmental Risk Management - Chapter 5

Take title to Contaminated property in SBA's name	X	X
Take title to Contaminated property in CDC's name	X	X
Take control of business that handles Hazardous Substances	X	X
Take control of business located on Contaminated Property	X	X

Modification of Note - Chapter 7

(Cannot be done prior to Debenture purchase)

Change payment due date		X
Change installment amount		X
Change interest rate		X
Extend maturity date		X
Increase loan amount	X	X

Modification of Collateral Requirements - Chapter 8

Subordinate lien position		X
Substitute Guarantor or Co-Borrower		X
Substitute collateral		X
Release lien on collateral w/ FMV ≤ 10% of Debenture amount or \$10,000		
Release of lien on collateral w/ FMV ≥ 10% of Debenture amount or \$10,000		X
Release of Guarantor or Co-Borrower on loan in regular servicing		X
Release of Guarantor or Co-Borrower on loan in liquidation (treat as OIC)	X	X
Sell Operating Company when EPC retains ownership of Project Property	X	X
Release condemnation proceeds		X

Insurance Coverage - Chapter 9

Modify requirements		X
Force-place coverage		X
Endorse checks ≤ \$100,000		
Endorse checks > \$100,000		X
Release proceeds > \$100,000		X



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PCLP CDCs

Non-PCLP
CDCs

Modification of Management Covenants - Chapter 10

Modify financial statement requirements		X
Modify restrictions on compensation, dividends, fixed assets, etc.		X
Modify standby agreements		X
Allow payment to standby creditor		X
Release of claim against standby creditor		X

Assumption or Sale of Loan - Chapter 11

Allow assumption of loan		X
Transfer, sell, or pledge loan	X	X

Deferments - Chapter 12

Defer ≤ 6 cumulative months payments or 20% of original loan amount		
Defer > 6 cumulative monthly payments or 20% of original loan amount		X

Delinquent Secured Senior Loans - Chapter 13

Advance payment to bring senior loan current	X	X
Purchase or pay off senior loan	X	X
Establish Protective Bid amount and enter it using Treasury check	X	X
Take "No Bid" position at senior lienholder's foreclosure sale	X	X
Exercise redemption rights using Treasury check	X	X
Collect excess proceeds from foreclosure sale on behalf of SBA		

Classifying Loans in Liquidation - Chapter 14

Accelerate Note		X
Classify loan in liquidation		X
Send demand letter		X
Implement Liquidation Plan or amended Liquidation Plan		X
Return loan to regular servicing status	X	X

Workouts - Chapter 17

Implement workout agreement (Cannot be done prior to Debenture purchase)		X
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Administrative Wage Garnishment - Chapter 18

Initiate, modify, suspend or terminate	X	X
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Federal Salary Offset - Chapter 19

Initiate, modify, suspend or terminate	X	X
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Servicing and Liquidation Actions CDC Matrix

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PCLP CDCs

Non-PCLP
CDCs

Collateral Liquidation - Chapter 20 & 21

Release lien on collateral w/ FMV ≤ 10% of Debenture amount or \$10,000		
Release of lien on collateral w/ FMV ≥ 10% of Debenture amount or \$10,000	X	X
Allow voluntary sale of collateral by Obligor		X
Accept deed-in-lieu of foreclosure	X	X
Initiate judicial foreclosure (Requires assignment of Note & deed of trust or mortgage)	X	X
Initiate non-judicial foreclosure (Requires assignment of Note & deed of trust or mortgage)	X	X
Collect rents on behalf of SBA		
Collect accounts receivable on behalf of SBA		
Surrender life insurance policy for cash value		X
Appoint receiver (Requires SBA – approved Litigation Plan)	X	X
Approve short sale with 100% of net proceeds to TPL or 504 Loan and no release of Obligors		X
Approve short sale with less than 100% of net proceeds to TPL or 504 Loan	X	X
Approve short sale with release of Obligors	X	X
Initiate eviction proceedings- Routine Litigation		X
Initiate eviction proceedings - Non-Routine Litigation	X	X
Abandon collateral with Recoverable Value <\$10,000 real property/ <\$5,000 personal property		X
Abandon collateral with Recoverable Value ≥\$10,000 real property/ >\$5,000 personal property (Requires exception to policy.)	X	X

Acquired Collateral - Chapter 22

Take title in SBA's name	X	X
Take title in CDC's name	X	X
Sell acquired collateral	X	X
Lease acquired collateral	X	X
Abandon acquired collateral	X	X

Offer in Compromise - Chapter 23

Compromise any portion of loan (principal balance or accrued interest)	X	X
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Litigation - Chapter 24

Implement or amend Litigation Plan	X	X
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Expenses and Recoveries - Chapter 25

Recoup Recoverable Expenses (liquidation and litigation)	X	X
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For additional information, please visit the Commercial Loan Service Centers' website where you can find contact information for your local CLSC, answers to frequently asked questions, and links to relevant SOPs, forms, and templates for commonly requested servicing actions.