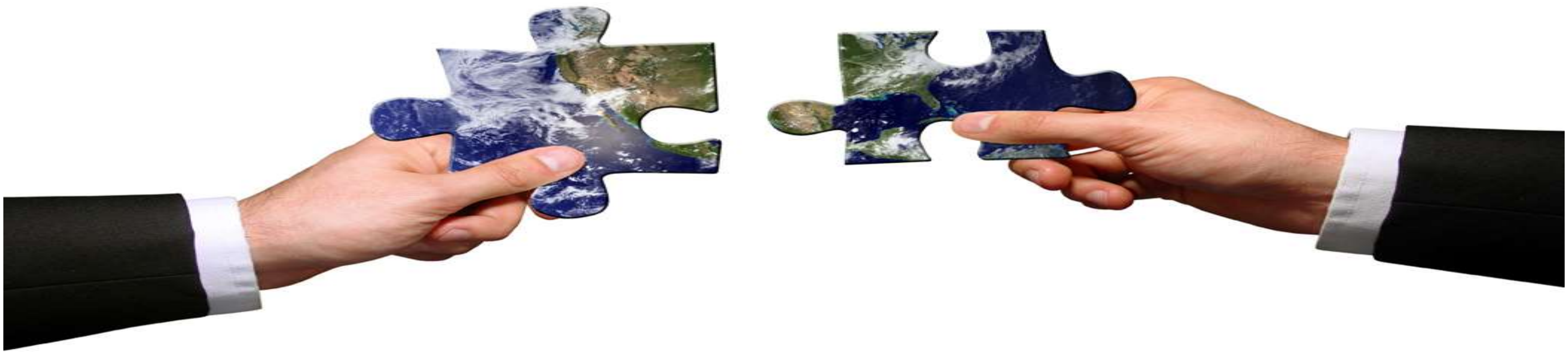
SBA

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: Gary.Wamhof@sba.gov

504 Loan Purchase and Liquidation:
All requests relating to 504 loans downgraded to "in liquidation" status.
Supervisor: Raymond.Kulina@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) **ARC loans have disappeared…or should have…**

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)*

SAVE SOME MONEY!

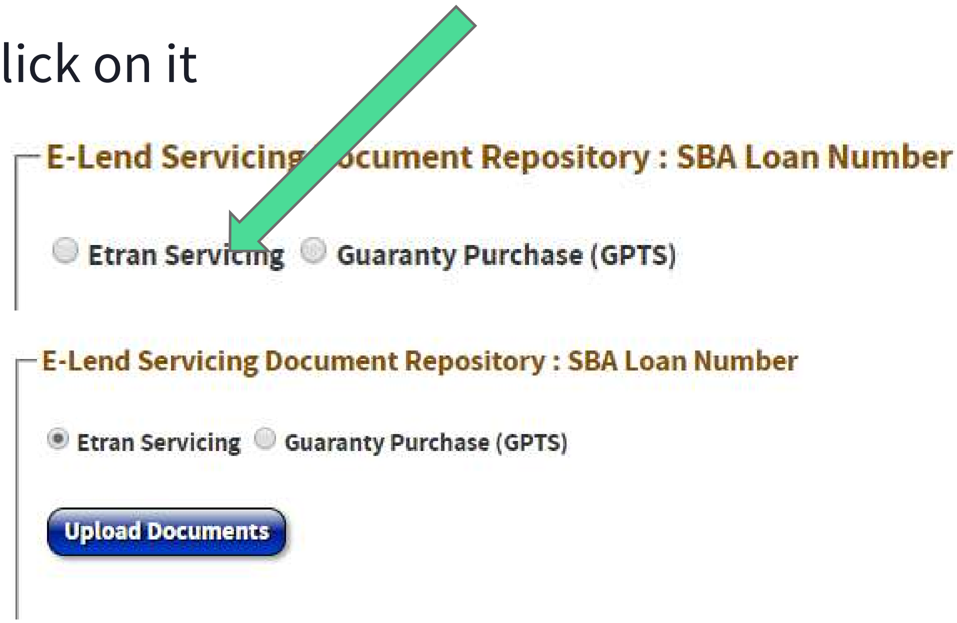
504 Loans

Loan shipped to the CLSC once the debenture has funded.

Upload Loan Authorization to E-Tran?

- Top of E-Tran Servicing look for Documents

- Click on it



Name it Loan Authorization.pdf

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

SOP 50-57-2
"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

That 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 e r for SBA lending partners to find and co 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 evant change. Use of these tools, howe s 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 Lende d the applicable Loan Program Requir t, 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 e appropriate Center for other ac , as identified below. For actions requiring SBA notification via the Center, Lenders will receive a reply ackowleding that the notification was receive tions submitted to the Center t o 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.

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*

#	Action	E-Tran Required	Notify Center	No Notification Required	Requires Prior SBA Approval
	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 prior to initial disbursement[2]	X			
7	Change interest rate after 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 prior to initial disbursement	X			
13	Cancel SBA Guaranty after 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 Disbu 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 o processing, 1919, Credit, etc.)[17]	X			
19	Change in the ownership of a Borrower prior to fi rsement[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).

Loans in Servicing & Liquidation (after final dis ent)
See SOP 50 57 2 and 13 CFR 120.535 and

Group	#	Action	E-Tran Required	Notify Center	No Notification Required	Requires Prior SBA Approval
SBA Approval	1	Activity creating real, apparent, o al 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
		Emergency Purchase from secondary market				X
		Determination of involuntary prepayment / subsidy recoupment fee				X
		einstatement 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
E 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 prior to submission of Guaranty Purchase Demand Kit[7]	X			
	4	Extend maturity prior to stated maturity date for loans in Regular Servicing[4, 15]	X			
	5	Extend maturity prior to stated maturity date for loans in Liquidation		X		
	6	Change interest rate within loan program guidelines[2, 8]		X		
	7	Change in Borrower's legal structure[4, 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		
	4	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

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.

SBA

Servicing and Liquidation Actions
7(a) Lender Matrix

Group	#	Action	E-Tran Required	Notify Center	No Notification Required	Requires Prior SBA Approval
No Approval or Notification	1	Subordinate / release lien[3]			X	
	2	Defer payments[3, 8]			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 Actions[3]

#	Action	E-Tran Required	Notify Center	No Notification Required	Requires Prior SBA Approval
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

#	Action	E-Tran Required	Notify Center	No Notification Required	Requires Prior SBA Approval
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

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.

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: 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 purchse 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.

Version 15 4/25/2019

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

*Please check the SBA Website for the most up to date version.

Servicing and Liquidation Actions CDC Matrix

"X" = Requires prior SBA approval

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

	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

Version 2 - 02/14/2014

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
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
Administrative Wage Garnishment - Chapter 18		
Initiate, modify, suspend or terminate	X	X
Federal Salary Offset - Chapter 19		
Initiate, modify, suspend or terminate	X	X

Servicing and Liquidation Actions CDC Matrix

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

"X" = Requires prior SBA approval

Collateral Liquidation - Chapter 20 & 21

	PCLP CDCs	Non-PCLP CDCs
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

	PCLP CDCs	Non-PCLP CDCs
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

	PCLP CDCs	Non-PCLP CDCs
Compromise any portion of loan (principal balance or accrued interest)	X	X

Litigation - Chapter 24

	PCLP CDCs	Non-PCLP CDCs
Implement or amend Litigation Plan	X	X

Expenses and Recoveries - Chapter 25

	PCLP CDCs	Non-PCLP CDCs
Recoup Recoverable Expenses (liquidation and litigation)	X	X

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.

Policy Notice Update
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

- **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…….

For Center Assistance on E-Tran Servicing:
Please contact your local District Office for E-Tran Guidance and Training

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 ma[illegible]y date if:
  - **The extension is requested before the SBA loan [illegible]res, less than 180 calendar days after the maturity date.**
  - **Will aid in orderly repayment of the loa[illegible]**

- **If applicable, additional gua[illegible]will have to be paid within 30 days of approval or enti[illegible] cancel.**

Think ori[illegible]onth term… First extension of Maturity!

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

Danger Will Robinson!

Increases – Express Revolvers

- Not allowed on Recovery Act or Jobs Bill Loans. **Fun… ave exhausted.**
- Increase on these (Express Revolvers) must … ed within **7 years** from the date of approval. ***50 10 5 J & K***
- For maximum loan amount, ref… P 50-10 which was in effect at the time the loan was approve…
- Any increase reque… press Revolver Loan that is above <u>**33%** above the original lo… ust include an **analysis of appropriate credit and risk factors.**</u>
- **Additional guaranty fee due within 30 days from Date of SBA approval of increase. Note: if lender increases in E-TRAN *fee is due!***

Danger Will Robinson!

Increases – Term Loans

- **Not allowed on Recovery Act or Jobs Bill Loans. Funds have exh[illegible]ed.**

- **Any increase request on a Standard 7 (a), CLP, PLP, SBA Exp[illegible] Loan Program term loan that is more than 20% of the original loan amount or is [illegible] months after the original approval date, the lender must include with its re[illegible]ysis showing the purpose of the increase is the same as the original purpose o[illegible] the borrower's cash flow can support the increased payment amount.**

- **Key to remember 48 months…Incr[illegible] first 48 months on term loans!**

- **For maximum loan amoun[illegible] SOP 50-10 that was in effect at the time the loan was approved.**

- **If sold on the seconda[illegible]ket, SBA cannot approve increase without investor approval.**

- **Additional guaranty fee due within 30 days from Date of SBA approval of increase.**

Danger Will Robinson!

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 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 of the story for CAPLines….GO to the SOP 50 10 in effect to review.**

What do..

Cheech and Chong

Scooby “Doobie” Doo

The SBA

Have in Common…

50 10 5 K Update

Policy Notice 5000-17057

Things to Remember!

1. Direct Marijuana Business

   Grows, Produces, Processes, Distributes, or Sells Marijuana or Marijuana Products, Edibles, or Derivatives

2. Indirect Marijuana Business

   Reasonably be determined to aid in the use, growth, enhancement or other development of marijuana.

   BONG!

3. Hemp

   Consistent with the **Agriculture Improvement Act of 2018** (Public Law No. 115-334), a business that grows, produces, processes, distributes or sells products made from hemp (as defined in section 297A of the Agricultural Marketing Act of 1946) is eligible.

What if my Borrower is now leasing space to a business that is engaged…

- Borrower **MAY NOT** lease space to the ineligible businesses described above because:
  - 1. Collateral could be subject to seizure and
  - 2. Payments on the SBA loan would be derived from illegal activity.
  - 3. If a borrower does lease to an ineligible marijuana-related business, SBA District Counsel should be consulted to determine what action should be taken.

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.**

SBA

- **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

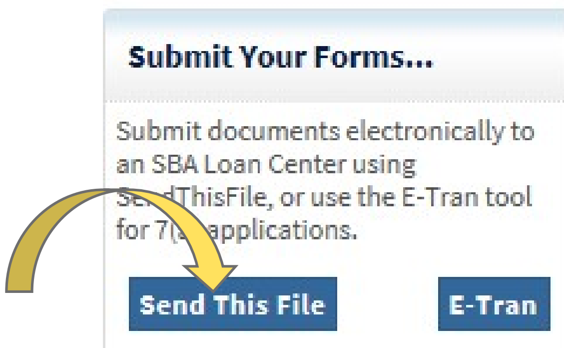
- **COLLATERAL ANALYSIS:**

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

- Attach Credit Memo if needed

Send this File?

- sba.gov
- For Partners
- SBA Locations
- Loan and Guaranty Centers
- Fresno or Little Rock



Guaranty Fee and Guaranty Rate:

- 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

But Wait!

- Up Front Fee Waiver – Changed!

- Oh No.. Not Again!
- Policy Notice 5000-19026
- NO WAIVERS or HUBZone/Rural Discount !
- Fees are Back to Normal

Basic Guaranty Fee Calculation

Loan Amount X Guaranty Percentage =

Guaranty Portion X Guaranty Rate =

Guaranty Fee

\$200,000	Loan Amount
X	
75%	Guaranty
= \$150,000	
X	
3%	Guaranty Fee Rate
= \$4,500	Guaranty Fee

Companion Loans!... 90 days

- Loan first in line… then Loan next in line
- $200,000 X 75% = $150,000 X 3% = $4,500.00 fee
- $150,000 X 75% = $112,500 X 3% = $3,375.00 fee

- …..Question….
- Why does the $150,000 loan have a 3% rate?

- ….Answer….
- Combined loan amount dictates the guaranty rate.

Companion Loans!... 90 days

- Loan first in line… then Loan next in line
- $150,000 X 75% = $112,500 X 1.5% = $1,687.50 fee
- $200,000 X 75% = $150,000 X 3% = $6,187.50 fee

- …..Question….
- Why does the $150,000 loan have a 1.5% rate?

- ….Answer….
- It was done first so the rate applied is 1.5%

SBA

Companion Loans!... 90 days

- Loan first in line… then Loan next in line
- $150,000 X 75% = $112,500 X 1.5% = $1,687.50 fee
- $200,000 X 75% = $150,000 X 3% = $6,187.50

- …..Question….
- Why does the $200,000 loan have a fee of $6,187.50

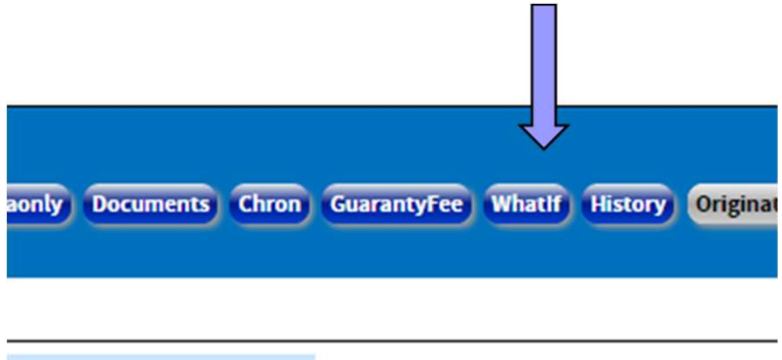
- ….Answer….
- The additional fee is added to this loan.

Companion Loans!... 90 days

- Calculation
- $200,000 X 75% = $150,000 X 3% = $4,500.00 +
- $150,000 X 75% = $112,500 X 3% = <u>$3,375.00</u>
- Total Fee $7,875.00
- Minus Fee already paid <u>$1,687.50</u>
- Fee Due $6,187.50

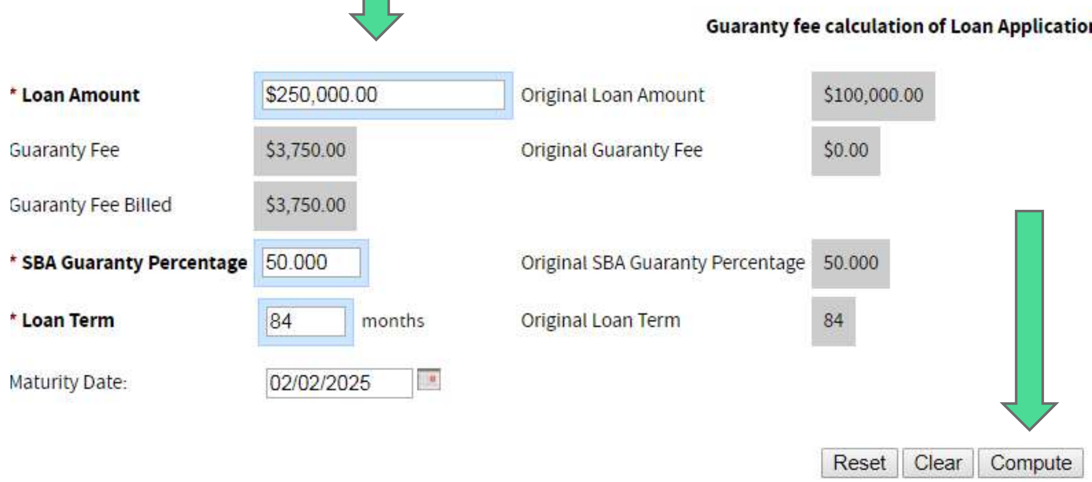
- Is there and EASY button?

E- Tran



What does it do?

Calculates the additional guaranty fee….



E-Tran

- What does it do?
- Tells What has been done!
- When is was done!
- And Who did it!
- Try it once and see

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).

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

- 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.

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 to Colson 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 & not Colson.
- Important! Go to Colson's website and be familiar with it.
- "1502 Fee Calculator"
- https://colsonservices.bnymellon.com

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”.

➢ Loan disbursed and guaranty fee not paid within 90 days of approval

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.

1502 reporting (continued)

Colson Customer Service

(877) 245-6159

E-mail: info@colsonservices.com

Think Dashboard!

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

SBA

Questions????