TO: All SBA Employees and 7(a) Lenders  
SUBJECT: 7(a) Fees Effective October 1, 2018

Each year SBA reviews certain fees payable to SBA by 7(a) Lenders (“Lenders”) and borrowers to determine the appropriate fees to manage the estimated costs of the 7(a) loan program.¹

This Notice announces (1) the annual service fee (also known as the “on-going guaranty fee”) and the upfront guaranty fee for 7(a) loans for fiscal year 2019 (FY2019), and (2) the exceptions to those fees authorized for FY2019 for the 7(a) loan program. Unlike in prior years, there will not be a separate notice covering fees for loans made to veteran-owned small businesses.

**FY2019 Annual Service and Upfront Guaranty Fees for 7(a) Loans**

Except as described under “FY2019 Authorized Fee Relief” below, the following fees are effective for all 7(a) loans approved October 1, 2018 through September 30, 2019 (including loans made to veteran-owned small businesses):

1) The annual service fee will be 0.55% (55 basis points) of the guaranteed portion of the outstanding balance of the loan. Lenders must manually adjust this fee in the current Authorization Wizard.

2) The upfront guaranty fee will continue to depend on the loan amount and the maturity of the loan.

   a) For loans with a maturity that exceeds 12 months, the fees are:

      i) For loans of $150,000 or less: 2% of the guaranteed portion. The Lender may retain no more than 25% of the fee (i.e., at least 1.5% must be remitted to SBA).

      ii) For loans of $150,001 to $700,000: 3% of the guaranteed portion.

      iii) For loans of $700,001 to $5,000,000: 3.5% of the guaranteed portion up to $1,000,000, plus 3.75% of the guaranteed portion over $1,000,000.

   b) For loans with a maturity of 12 months or less, the fee remains 0.25% of the guaranteed portion.

When two or more SBA-guaranteed loans are approved within 90 days of each other, the guaranty percentage and guaranty fee are determined based on the aggregate amount of the

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¹ Fees are effective for the entire fiscal year to maintain the estimated costs of the program, unless subsequent Congressional acts modify the program’s effective subsidy costs.
loans. Lenders are not permitted to split loans for the purpose of avoiding fees. This represents no change to current policy.

Pursuant to Section 7(a)(18)(B) of the Small Business Act [15 U.S.C. 631 et seq.], Lenders may continue to retain 25% of the permitted upfront guaranty fee for loans of $150,000 or less.

For guidance on when all 7(a) loan fees are due, see SOP 50 10 5(J), Subpart B, Chapter 3.

**FY2019 Authorized Fee Relief**

SBA offers the following fee relief for the following 7(a) loans approved October 1, 2018 through September 30, 2019:

1) For 7(a) loans made to small businesses where the physical address of the operating concern is located in a **rural area or a historically underutilized business zone** (HUBZone), as determined by SBA (see the Attachment to this Notice), **in the amount of $150,000 or less**:
   a) The annual service fee will be zero; and
   b) The upfront guaranty fee will be 0.6667% (66.67 basis points) of the guaranteed portion of the loan. If the loan maturity exceeds 12 months, the Lender may retain no more than 0.1667% (16.67 basis points) of the fee.

   Lenders must manually adjust these fees in the current Authorization Wizard.

2) For all **SBA Express loans made to veteran-owned small businesses**, the upfront guaranty fee will be zero in accordance with section 7(a)(31)(G) of the Small Business Act.

**There is no additional fee relief available for 7(a) loans approved in FY2019.**

Lenders must document in their loan file the borrower’s eligibility using the documentation identified in the attachment to this Notice and must present copies of that documentation with any guaranty purchase request.

Questions concerning this Notice should be directed to the Lender Relations Specialist in the local SBA Field Office. The local SBA Field Office may be found on the [Local Assistance page](#) of SBA’s website.

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Dianna L. Seaborn  
Director  
Office of Financial Assistance

Attachment
Attachment

Rural Area Qualifications

To determine whether the small business applicant is located in a rural county, SBA uses “Mostly Rural” or “Completely Rural” data from the US Census Bureau. SBA’s financial system (E-Tran) stores eligible areas and the fee relief is automatically assigned at origination if the business is located in a defined rural area.

More information about the Census Bureau’s urban-rural classification is available on the Census Bureau’s website. The Census Bureau’s County Classification Lookup Table can be accessed from the same site or on the homepage of the Capital Access Financial System (CAFS).

Rural Area Documentation Requirements

The physical address of the operating concern that is input as the “Project Address” on the “Project Info” screen of E-Tran or SBA One designates the address as rural or urban. The project address input to this screen must match the address on the Authorization.

HUBZone Qualifications

The physical address of the operating concern must be located in a designated HUBZone in order to qualify for the HUBZone fee relief. SBA’s financial system (E-Tran) stores eligible areas and the appropriate fee is automatically assigned at origination if the business is located in a HUBZone.

SBA Veteran Qualifications

In order to qualify for the fee relief set forth in section 7(a)(31)(G) of the Small Business Act, as discussed in this Notice, businesses must be 51% or more owned and controlled by an individual or individuals in one or more of the following groups:

- Veterans (other than a veteran who received a Dishonorable or Bad Conduct Discharge);
- Service-Disabled Veterans;
- Active Duty Military service member participating in the military’s Transition Assistance Program (TAP);
- Reservists and National Guard Members; or
- Current spouse of any Veteran, Active Duty service member, or any Reservist or National Guard member; or widowed spouse of a service member who died while in service or of a service-connected disability.
SBA Veteran Documentation Requirements

- Veteran: Copy of Form DD 214, which is provided for other than dishonorably discharged veterans.

- Service-Disabled Veteran: Copy of Form DD 214 or documentation from the DVA that the veteran has been determined as having a service-connected disability.

- Transitioning Active Duty Military Member: DD Form 2, "U.S. Armed Forces Identification Card (Active)," or DD Form 2, "Armed Forces of the United States Geneva Conventions Identification Card (Active)" and, DD Form 2648 (Active Duty Military member) or DD Form 2648-1 (Reserve Component member).

- Reservists and National Guard: DD Form 2, Armed Forces of the United States Identification Card (Reserve).

- Current Spouse of Veteran: The veteran’s Form DD 214 and evidence of status as a current spouse.

- Current Spouse of Transitioning Active Duty Military Member or Current Reservist/National Guard Member: DD Form 1173, Department of Defense Guard Reserve Family Member Identification Card and evidence of status as the current spouse.

- Widow of Active Duty Service Member who died in service or Widowed Spouse of Veteran who died of a service connected disability: Documentation from DOD or from DVA clearly showing this to be the case.

Alternatives

In the event that the veteran’s DD 214 is unavailable, a “Certification of Military Service” (NA Form 13038) is an acceptable equivalent.

For any category listed above that requires a photocopy of a military ID, as an alternative to photocopying the military ID, the service member may provide a “statement of service” signed by, or by the direction of, the adjutant, personnel office, or commander of the unit or higher headquarters they are attached to. There is no one unique form used by the military for a statement of service. While statements of service are typically on military letterhead, some may be computer-generated. The statement of service must clearly show:

1) The Service member’s full name;
2) The Service member’s Social Security Number (SSN) or the last 4 digits of SSN;
3) The entry date on active duty or the entry date of applicant’s Reserve/Guard duty, as applicable (depending on whether the applicant is on active duty or is a current member of the Reserves or National Guard);
4) The duration of lost time, if any (for active duty); and
5) The name of the command providing the information.

Note for Current Reserve/Guard Members: The statement must clearly indicate that the applicant is an “active” reservist and not just in a control group (inactive status).