



# SBA Procedural Notice

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**TO:** All SBA Employees, 7(a) Lenders, and Certified Development Companies

**CONTROL NO.:** 5000-20058

**SUBJECT:** Additional Guidance on the Implementation of Section 1112 of the CARES Act, Subsidy for Certain Loan Payments, for the 7(a) and 504 Loan Programs

**EFFECTIVE:** October 21, 2020

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The purpose of this Notice is to provide additional guidance on the implementation of Section 1112 of the CARES Act, Subsidy for Certain Loan Payments, for the 7(a) and 504 Loan Programs. With the September 27, 2020 deadline now passed for new loans to be eligible for Section 1112 payments, SBA wishes to provide the following additional guidance and reminders to Lenders and Certified Development Companies (CDCs):

A. Reconciliation of Payments to Lenders

1. Threshold for Returning Overpayments to SBA

Paragraph N of SBA Procedural Notice 5000-20023 provides that, if a 7(a) Lender receives an overpayment for the 6<sup>th</sup> and final section 1112 payment, then the additional funds owed the SBA must be immediately returned to SBA via wire to Colson's 7(a) Collection Account with a reference to Section 1112 and the affected SBA Loan Number. SBA has determined that it is not cost effective to require Lenders to return overpayments of \$10 or less and, accordingly, Lenders need not return the funds to SBA if the amount of the overpayment with respect to a particular loan is \$10 or less. In such cases, instead of returning the overpayment to SBA, the Lender must credit the 7(a) loan for which the overpayment was made by the amount of the overpayment.

2. Lender's Request for Additional Funds

Paragraph N of SBA Procedural Notice 5000-20023 also provides that, if the Lender received an underpayment for the 6<sup>th</sup> and final section 1112 payment, then the Lender may submit a 7<sup>th</sup> request the following month (the 7<sup>th</sup> month) through the CARES Act menu of the 1502 Dashboard for the additional funds owed the Lender only after providing a written request to the FTA, Colson Services. SBA understands that occasionally Lenders may not become aware by

the 7<sup>th</sup> month of an underpayment that was made for any month during the 6-month period of Section 1112 payments. SBA has determined, therefore, that the Lender may submit a request for additional funds to cover an underpayment made for any month of the 6-month period of Section 1112 payments as soon as the Lender becomes aware of such underpayment, subject to the availability of funds for Section 1112 payments.

The written request for the additional payment may be submitted to the FTA, Colson Services, by email and must include the SBA loan number, the amount of the underpayment, and a certification by the Lender that the additional funds are eligible for Section 1112 payment under SBA Loan Program Requirements. SBA reminds Lenders that they must maintain a written explanation of the circumstances justifying the request for an additional payment in their loan files, which SBA may request at any time.

**B. Lenders and CDCs Must Ensure that E-TRAN Reflects Current Owners with Current Addresses**

SBA reminds all 7(a) Lenders and CDCs that they must ensure that, for each 7(a) and 504 loan, E-Tran reflects the current owners of the Borrower with their current “Project Address” and “Loan Mailing Address”.

**Questions**

Questions on this Notice may be directed to the Lender Relations Specialists in the local SBA Field office. The local SBA Field office may be found at <https://www.sba.gov/tools/local-assistance/districtoffices>.

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