



# SBA Procedural Notice

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**TO:** All SBA Employees and 7(a) Lenders

**CONTROL NO.:** 5000-20093

**SUBJECT:** Guidance on Establishing Maturities of New 7(a) Loans Eligible to Receive Payments under Section 1112 of the CARES Act on or after February 1, 2021

**EFFECTIVE:** February 12, 2021

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Section 325 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act), Pub. L. 116-260, extends the debt relief available under Section 1112 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to new loans approved beginning on or after February 1, 2021 and ending on September 30, 2021. Subject to the availability of funds, SBA will make the principal, interest, and associated fee payments that are owed on a covered loan for up to a 6-month period, beginning after full disbursement, if the loan is in regular servicing status (Section 1112 payments). The number of months covered by the Section 1112 payments are subject to adjustment based on the availability of funds, and SBA will notify Lenders in a subsequent Notice if the number of months is adjusted.

The purpose of this Notice is to address the standards that SBA expects 7(a) Lenders to apply in establishing the maturity of new 7(a) loans approved beginning on February 1, 2021 and through September 30, 2021. All 7(a) loan delivery methods (including SBA Express, Export Express, EWCP, Community Advantage Pilot, and Express Bridge Loan (EBL) Pilot) are covered by this Notice. (This Notice does not apply to Paycheck Protection Program Loans made under section 1102 of the CARES Act because the CARES Act excludes these loans from eligibility for section 1112 payments.)

Lenders must underwrite all 7(a) loans, including the term of the loan, in accordance with SBA's Loan Program Requirements (as defined in 13 CFR § 120.10). Lenders are required to use prudent lending practices in underwriting each loan and are required to establish appropriate repayment schedules and loan maturities based on the Borrower's ability to repay, the use of the loan proceeds, and the useful life of the assets being financed.

For each new 7(a) loan approved beginning on February 1, 2021 and ending on September 30, 2021, the repayment schedule and the loan term must be established in accordance with SBA Loan Program Requirements. Lenders may not intentionally shorten loan maturities so that Section 1112 payments pay all or a substantial portion of the loan. SBA expects Lenders to establish the repayment schedule and the loan maturity for new loans in the same manner as the Lender's similarly-sized, SBA-guaranteed loans approved prior to the COVID-19 emergency, but Lenders may consider the availability of Section 1112 payments as part of its comprehensive

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**EXPIRES: 2-1-22**

SBA Form 1353.3 (4-93) MS Word Edition; previous editions obsolete

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review to determine the ability of the Borrower to repay over the entire period of maturity of the loan. If SBA determines upon later review of the loan that a Lender did not comply with SBA Loan Program Requirements in establishing the loan's maturity, SBA may deny liability on its guarantee under 13 CFR 120.524 or otherwise take action against the Lender.

To ensure that SBA will not, in effect, be providing a grant to the borrower, Lenders are prohibited from underwriting any new 7(a) Loan between February 1, 2021 and September 30, 2021 with a maturity that equals the number of months for which the loan is authorized to receive Section 1112 payments. This restriction is consistent with SBA Procedural Notice 5000-20079, Section III.G.2.b, where SBA stated that section 1112 payments may not be used to cover balloon payments on a revolving line of credit.

SBA reminds all Lenders that, for all new 7(a) loans approved beginning on February 1, 2021 and ending on September 30, 2021, if the SBA guarantee is cancelled after the loan is made due to character ineligibility, financial information verification issues, or for any other reason, any payments disbursed to the Lender prior to such cancellation must be promptly repaid to SBA. *See* SBA Procedural Notice 5000-20079, Section IV.D.

In addition, SBA reminds Lenders that, for any 7(a) loan for which SBA is making section 1112 payments, Lenders must continue to comply with existing procedures regarding 1502 reporting and payment remittance as required by SOP 50 10. *See* SBA Procedural Notice 5000-20079, Section III.G.2.c.

### Questions

Questions concerning this Notice may be directed to the Lender Relations Specialist in the [local SBA Field Office](#).

Dianna L. Seaborn  
Director  
Office of Financial Assistance