



SBA Policy Notice

TO: All SBA Employees, SBA 7(a) Lenders

CONTROL NO.: 5000-814473

SUBJECT: Interim Advances: Guidance for Processing Short-Term Interim Loans Prior to the SBA 7(a) Loan Approval

EFFECTIVE: September 8, 2021

The purpose of this notice is to provide additional guidance for situations when SBA 7(a) guaranteed loan proceeds will be used to refinance a short-term loan originally made with the intent to be refinanced with the SBA-guaranteed loan.

With the issuance of SOP 50 10 6 effective October 1, 2020, and specifically, the language in Part 2. Section B, Chapter 1, Paragraph A.1.b.iii. which provides “[e]xcept for interim debt in accordance with paragraph A.1.l.ii, Interim Advances below, the Lender must not refinance a short-term obligation that was created with the intent of refinancing it with a 7(a) loan,” SBA prohibited a lender from making a short-term loan to the borrower with the intention of that loan being refinanced with an SBA-guaranteed loan.

The change was based on SBA’s intent to eliminate excessive borrower fees charged on short term non-SBA loans which are otherwise prohibited on SBA-guaranteed loans. The change resulted in the unintended consequence of restricting short-term construction and commercial real estate (CRE) acquisition financing where the buyer may miss the deadline to close prior to the approval of the SBA-guaranteed loan. SBA is routinely approving exceptions to policy that allow such short-term financing.

In SOP 50 10 6, Part 2, Section B, Chapter 1, Paragraph A.1.l.ii. SBA specifically permits a lender to make interim advances to the borrower (also known as bridge loans) **after an SBA Authorization has been issued, but prior to disbursement.** A Lender or an affiliate of the Lender may make interim advances and SBA loan proceeds may be used to reimburse those interim advances only if the interim advances reasonably comply with the terms of the SBA Authorization. Such interim advances are made at the Lender’s risk and notification to SBA of such advances is not required. In contrast to “interim advances” or “bridge loans” as defined in Paragraph A.1.l.ii., “interim loans,” for purposes of SBA 7(a) guaranteed loans, are loans provided by the Lender before obtaining the SBA loan guaranty approval and issuance of the SBA Authorization that are intended to be refinanced with the SBA-guaranteed loan.

SBA is revising the existing SOP to include the circumstances SBA has determined as acceptable when a lender may refinance a short-term, interim loan made with the intention of being refinanced with the SBA-guaranteed loan and made before the SBA Authorization has been issued.

Effective immediately, the language in SOP 50 10 6, Part 2, Section B, Chapter 1, Paragraph A.1.b.iii. is revised to read:

- iii. Except for a bridge loan in accordance with paragraph A.1.l.ii, “Interim Advances” below, the Lender must not refinance a short-term obligation that was created with the intent of refinancing it with a 7(a) loan, unless it meets the requirements to refinance an “interim loan” in the following paragraphs:
- iv. In addition to meeting the other requirements for debt refinancing in this section, a lender may use an SBA-guaranteed loan to refinance an interim loan made with the intention of being refinanced with the SBA loan only in the following circumstances:
 - a) *Must demonstrate the necessity for the interim loan:* There must be a valid business reason as determined in SBA’s discretion that an interim loan was provided to the Borrower with the intent to be refinanced by the SBA loan and the interim loan is provided for the benefit of the borrower and not solely for the benefit of the lender. For example, the potential loss of the acquisition of the property being acquired due to an approaching deadline or significant delays in obtaining documentation necessary to complete the SBA loan application. In such instances, the lender may make an interim loan at the lender’s risk until the SBA application requirements can be completed.
 - b) *Interest rate:* The interest rate charged on the interim loan must not exceed the SBA’s maximum allowable interest rate. The lender may not charge prepaid interest on the interim loan. Any excessive interest charged to the borrower for the interim loan must be rebated back to the Borrower or the interim loan may not be refinanced using SBA loan proceeds. The Lender must document and retain the in the file, subject to SBA review.
 - c) *Term:* The term of the interim loan made with the intention of being refinanced with an SBA-guaranteed loan may include a short-term maturity (12 months or less).
 - d) *Fees:* The lender may only charge the borrower fees and be reimbursed for allowable expenses on the interim loan that comply with the SBA requirements for fees and expenses that a lender may collect from a loan applicant or Borrower in [13 CFR § 120.221](#) and in Section A Chapter 5, Paragraph C. of this Part. The combined total of all fees charged to the Borrower for the interim loan and the SBA-guaranteed loan may not exceed the SBA’s maximum allowable fees.

The lender may not charge the Borrower any fees in connection with the interim loan that are considered by SBA to be a prohibited fee described in Section A, Chapter 5, Paragraph C.4. of this Part (e.g., commitment fees, loan origination fees, application fees, and points). Any impermissible or excessive fees or expenses charged to Borrower in connection with the interim loan must be rebated back to the Borrower or the interim loan may not be refinanced using SBA-guaranteed loan proceeds. The Lender must document and retain in the borrower's file, subject to SBA review.

- e) *Interim loan must be current:* The interim loan must be current (no more than 29 days late on any required interim loan payments) and paying as agreed to be refinanced using an SBA-guaranteed loan.
- f) *Collateral:* All collateral and guaranties securing the interim loan must be provided as security for the SBA-guaranteed loan in the same lien position unless the loan is fully secured.
- g) *EWCP Refinancing:* Export Working Capital Program (EWCP) requirements for refinancing existing short-term export lines of credit with the transfer of collateral are set forth in Section B, Chapter 4, Paragraph B.2.b. of this Part.

Questions

If you have any questions regarding this notice, please contact your local [SBA field office or the servicing centers](#).

Isabella Casillas Guzman
Administrator