



SBA Loan Liquidation/Purchase Information for North Dakota Lenders

The following steps provide a brief overview to help lenders get started in liquidating SBA-guaranteed loans, followed by the process of requesting SBA to honor its guaranty (i.e., purchasing the guaranteed portion of the loan.)

1. Lenders must notify fsc.servicing@sba.gov that the loan is being transferred to liquidation status. Include the borrower name and the loan number in subject line.
 - a. SBA requires all lenders to make site visits and prepare a detailed report containing an inventory of remaining assets and an assessment of their condition and value. Site visits must be performed within 60 days of an unremedied payment default or sooner if there are assets with significant value that could easily be moved or depleted. If a payment default does not exist, but an event has occurred which would cause the loan to be placed in liquidation (i.e., bankruptcy filing, business shutdown, or foreclosure by a prior lienholder), a site visit must be done within 15 days of that event.
 - b. When the loan is transferred into liquidation status, please remember to change the status code on your monthly 1502 status report to “5” for in-liquidation status.
2. Proceed to liquidate the loan per prudent, commercially reasonable lending/liquidation practices.
3. Develop a liquidation plan – sample of plan [SBA Form 1979](#)
4. Monitor the business closely. If inventory is sold, the funds should be used to pay down the note. Apply the payments to Principal first. Monitor the cash receipts. Monitor expenses. Allow the business reasonable expenses – such as salaries for staff. It may be prudent to have all cash paid to the lender and the lender makes sure that none gets paid to unsecured creditors.
5. Lender must ensure the sale is proper and cash is applied to the note. (It may be prudent to have the business operator liquidate the business. The operator may know how to liquidate to get the most out of the inventory.)
6. Track everything. Document everything. You will need to be able to show your work to SBA to justify the actions that you took. Collect the money for the collateral to pay down on the loan minus reasonable liquidation costs.
Care and Preservation of Collateral (CPC) Tabs:
 - [7\(a\) Standard](#)
 - [7\(a\) Small Loans and SBA Express Loans](#)
7. Generally, your liquidation plan will be approved after you submit for purchase. However, please note that certain loan actions involving unusual issues do require prior written SBA approval. See SOP 50 57 2 on pages 23 – 24.

8. [Offer in Compromise Tabs](#)

- a. An offer in compromise may be appropriate after a business has been closed and all of the collateral has been liquidated. (Exception obligor's personal residence.) An offer in compromise is an offer made by an Obligor to pay less than what is owed in full settlement of the Obligor's obligation on their SBA loan. Submitting the offer does not ensure that it will be accepted. Rather, it begins a process of evaluation and verification by the lender and SBA. Generally, an offer in compromise will be accepted if it reflects the Obligor's true ability to pay, and will be rejected if the Obligor can pay the loan in full via a lump sum payment or an installment agreement, or if acceptance of the offer would harm the integrity of the SBA loan program. SOP 50 5 2 Chapter 20.
- b. More information regarding submitting an Offer in Compromise can be found on the [Commercial Loan Service Center Post-Servicing Actions website](#).

9. Lenders must submit a 10-Tab purchase packet requesting SBA to honor the guaranty.

- [7\(a\) Standard Loans](#) are purchased in Herndon, VA
- Contact Al Haut in the North Dakota District Office at 701.239.5049, for the most recent forms for requesting guaranty purchase of 7(a) Small Loans approved after 1/1/2014 and SBA Express Loans from Fresno, CA.

10. Submit Wrap Up Report

- For [7\(a\) Standard Loans](#) purchased in Herndon, VA
- For [7\(a\) Small Loans and SBA Express Loans](#) purchased in Fresno, CA

If you have questions, please contact:

- North Dakota District Office – Al Haut at 701.239.5049 or alan.haut@sba.gov
- SBA Express Loan Liquidation/Purchase Center in Fresno, CA at fsc.purchasing@sba.gov (make sure you refer to the SBA loan number and state that this is a liquidation request in the subject line – ex. 123650400 liquidation request) or fax your request to 202.481.0663 (make sure your correspondence refers to the SBA loan number).
- [7\(a\) Liquidation/Purchase Center](#) in Herndon, VA at 877.488.4364 or loanresolution@sba.gov

Additional Information

- [Servicing and Liquidation Matrix](#)
- [Servicing and Liquidation SOP 50 57](#)
- [Helpful Hints for Navigating the National Guaranty Purchase Center](#)
- [National Guaranty Purchase Center \(Herndon, VA\)](#)
- [Commercial Loan Service Center \(Fresno, CA, and Little Rock, AR\)](#)