**SBA 7(a) Working Capital Pilot Program Guide**

**Effective August 1, 2024**

Office of Financial Assistance

U.S. Small Business Administration

# Table of Contents

[Table of Contents 2](#_Toc172125714)

[User Tips: How to Use this Program Guide 3](#_Toc172125715)

[7(a) Working Capital Pilot Program Guide 4](#_Toc172125716)

[1. Specific Types of WCP loans 5](#_Toc172125717)

[2. Specific WCP Eligibility Requirements 6](#_Toc172125718)

[3. Eligible Uses of Proceeds for WCP 6](#_Toc172125719)

[4. Other Restrictions that Apply to Delegated Processing of WCP loans 8](#_Toc172125720)

[5. Loan Terms and Conditions for WCP 8](#_Toc172125721)

[a. Maximum Loan Amount. 8](#_Toc172125722)

[b. Maximum Guaranty Amounts and Percentages. 9](#_Toc172125723)

[c. Loan Maturities. 9](#_Toc172125724)

[d. Interest Rates. 10](#_Toc172125725)

[6. Credit Standards for WCP 13](#_Toc172125726)

[a. Underwriting. 14](#_Toc172125727)

[b. Credit Analysis. 14](#_Toc172125728)

[c. Collateral. 16](#_Toc172125729)

[d. Annual and Renewal Credit Reviews. 18](#_Toc172125730)

[7. WCP-Specific Post-Approval Requests for Changes 18](#_Toc172125731)

[8. WCP-Specific Loan Closing and Disbursement Requirements 19](#_Toc172125732)

[9. Fees 27](#_Toc172125733)

[a. Fees the Lender pays SBA. 27](#_Toc172125734)

[b. Fees the Lender May Charge the Borrower. 27](#_Toc172125735)

[c. Use of Agents and Fees Agents May Charge. 28](#_Toc172125736)

[10. Authority to Participate as a 7(a) Lender Making WCP loans 29](#_Toc172125737)

[11. Processing Methods - Non-Delegated and Delegated Authority 29](#_Toc172125738)

[12. Submission of Application for Guaranty for WCP 32](#_Toc172125739)

[a. Contents of Lender’s Application for Guaranty. 32](#_Toc172125740)

[b. Loan Closing through Disbursement. 34](#_Toc172125741)

[13. Definitions specific to WCP 34](#_Toc172125742)

[14. Acronyms 35](#_Toc172125743)

[15. SBA Communication 36](#_Toc172125744)

# User Tips: How to Use this Program Guide

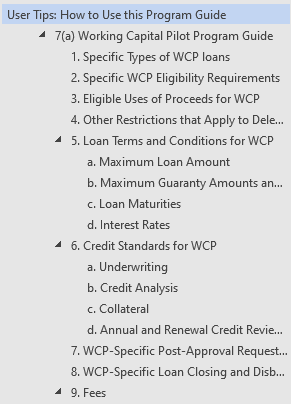
Navigating the guide in Microsoft Word

The guide contains bookmarks and built-in style headings to enable easy navigation using the Navigation Pane, which is a vertical panel on the left of the viewing screen. The Navigation Pane looks like a table of contents. Clicking on a line will jump you to the corresponding section in the Standard Operating Procedures (SOP).

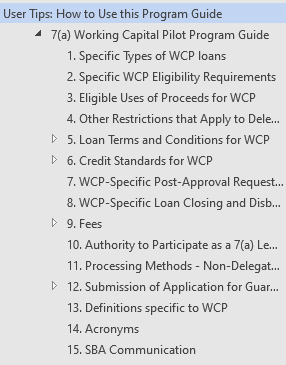
**Hint 1**: The sections expand and collapse by clicking on the arrows on the far left.

**Hint 2**: Clicking the “alt” and “left arrow” keys will return you to your original page when you click on a hyperlink that redirects you to a different place within the SOP. You may need to click your mouse once before you click the alt and left arrow keys.

Navigation Pane Expanded



Navigation Pane Collapsed



* Method 1: “CTRL+F” will launch a search screen. From here you can access the Navigation Pane by selecting Headings. You can also type in a keyword search here.
* Method 2: From the menu bar at the top of the screen, select “View,” and then select the “Navigation Pane” box in the “Show” group.

**Want to see more tips?** Watch a training video: [Navigating SOP 50 10 in Microsoft Word](https://www.youtube.com/watch?v=HvUio7-tmTc&feature=youtu.be).

#### 7(a) Working Capital Pilot Program Guide

**What is SBA’s 7(a) Working Capital Pilot (WCP) Program?**

As small businesses grow, they require access to working capital. Working capital is most economically delivered through a line of credit and allows businesses to take on new opportunities in a way that a term loan cannot. For example, manufacturers require a revolving line of credit to build a resilient inventory position, and a contractor requires access to a Transaction-Based project line to successfully secure a multi-year government contract. In both examples, the revolving nature of a line of credit provides the most efficient means for the business to control its cash flow and manage the associated interest expense in a dynamic rate environment.

SBA currently offers four options for making SBA 7(a) guaranteed lines of credit. While the existing 7(a) line of credit products serve a similar working capital function, each has its own unique rules and limitations. SBA established the 7(a) Working Capital Pilot Program to provide additional flexibilities in an SBA 7(a) guaranteed line of credit program to create a premier product designed for the needs of modern small businesses. WCP provides an innovative, proven fee structure, flexible support for domestic and international needs, and offers Lenders and businesses one-on-one counseling with SBA subject matter experts.

The WCP Program is a pilot program within SBA’s 7(a) Loan Program, which means Lenders must be approved by SBA to participate in the 7(a) Loan Program before they can make any WCP loans. See [Authority to Participate as a 7(a) Lender Making WCP loans](#_Authority_to_Participate) below for more information on how a Lender can get approved to participate in the program.

Lenders may obtain delegated authority to process, close, service, and liquidate WCP loans without prior SBA review. Due to the specialized nature of this type of lending, SBA has created a new type of delegated authority for WCP called Preferred Lender Program (PLP)-WCP. 7(a) Lenders with regular PLP delegated authority ***must be separately approved*** for PLP-WCP delegated authority. 7(a) Lenders with PLP-Export Working Capital Program (EWCP) will be automatically granted PLP-WCP delegated authority. See [Processing Methods – Non-Delegated and Delegated Authority](#_Processing_Methods_-) below for more information on delegated authority.

Under the WCP Program, SBA guarantees monitored short-term working capital loans made by participating 7(a) Lenders to eligible small businesses. Lenders may request assistance with WCP projects from SBA’s team of [Export Finance Managers](#Export_Finance_Manager).

WCP is designed as a program for all Lenders regardless of their knowledge of SBA rules because it is built around established industry norms. However, all Lenders must comply with this Program Guide and with all 7(a) [Loan Program Requirements](https://www.ecfr.gov/current/title-13/part-120#p-120.10(Loan%20Program%20Requirements%20or%20SBA%20Loan%20Program%20Requirements)), except where this Program Guide specifies different rules for the WCP Program.

For further information on 7(a) Loan Program Requirements, see the Code of Federal Regulations (CFR), §§ [103](https://www.ecfr.gov/current/title-13/chapter-I/part-103), [105](https://www.ecfr.gov/current/title-13/chapter-I/part-105), [120](https://www.ecfr.gov/current/title-13/part-120), and [121](https://www.ecfr.gov/current/title-13/chapter-I/part-121). Additionally, see SBA SOP [50 10](https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs), Lender and Development Company Loan Programs, SOP [50 56](https://www.sba.gov/document/sop-50-56-1-lender-participation-requirements), Lender Participation Requirements, SOP [50 57](https://www.sba.gov/document/sop-50-57-7a-loan-servicing-and-liquidation), 7(a) Loan Servicing and Liquidation, and the [Servicing and Liquidation Actions 7(a) Lender Matrix](https://www.sba.gov/document/support--servicing-liquidation-actions-7a-lender-matrix).

SOP [50 10](https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs) describes important terms and conditions of 7(a) loans, including but not limited to; basic eligibility requirements, ethics, rules on fees and agents (including requirements for the disclosure of fees charged to the Borrower and the requirement to pay fees to SBA), and guaranty requirements. SOP [50 56](https://www.sba.gov/document/sop-50-56-1-lender-participation-requirements) defines criteria for becoming an SBA Lender, types of delegated authority, a brief overview of how SBA conducts oversight of SBA Lenders, processes for loan reporting, Secondary Market transactions, loan transfers, and securitization. SOP [50 57](https://www.sba.gov/document/sop-50-57-7a-loan-servicing-and-liquidation) sets out the policies and procedures for the administration of 7(a) loans that have been fully disbursed and are in regular servicing or liquidation status. The [Servicing and Liquidation Actions 7(a) Lender Matrix](https://www.sba.gov/document/support--servicing-liquidation-actions-7a-lender-matrix) shows which servicing and liquidation actions Lenders may take on their own, and which require prior approval from SBA.

**Lenders must always start by reviewing the contents of the current version of SOP 50 10. The relevant sections of SOP 50 10 are:**

* Section A, Core Requirements for all 7(a) and 504 Loans.
* Section B, Chapter 5, E-Tran Terms and Conditions through Disbursement, and
* Appendices.

SOP 50 10, Section A, covers primary Applicant eligibility requirements certified by the Applicant and validated by SBA’s Risk Mitigation Framework, “Credit not available elsewhere”, general requirements on uses of proceeds, ethics, fees and agents, and other requirements.

SOP 50 10, Section B, Chapter 5 covers 7(a) Loan Program Requirements for E-Tran terms and conditions, post-approval modifications, transfer of guaranty between participating Lenders, and loan closing and disbursement including Note terms.

The appendices in SOP 50 10 cover a variety of topics including but not limited to the Lender’s requirements to conduct environmental assessments, electronic signature standards, record retention requirements, SBA e-mail addresses, form download links, acronyms, and definitions.

**Exceptions to Policy:** Lenders may submit a request for an exception to the policies in this Program Guide or in SOP 50 10 to [7aLoanMod@sba.gov](mailto:7aLoanMod@sba.gov). Exceptions to policy will be considered on a case by case basis and the decision will apply only to the specific request.

##### Specific Types of WCP loans

* + 1. Transaction-Based Loan: A line of credit that can support a single or multiple transactions during the term of the loan. A Transaction-Based WCP may be established on a revolving or non-revolving basis based on the needs of the business.

On no less than an annual basis, the Lender must perform a full review of the credit and collateral securing the WCP loan in accordance with the requirements in “[Annual and Renewal Credit Reviews](#Annual_and_Renewal_Credit_Reviews)” in paragraph 6.d below.

* + 1. Asset-Based Loans (ABLs): ABLs are revolving lines of credit supported by a monthly Borrowing Base Certificate (BBC) that reports levels of assets, typically accounts receivable and inventory, supporting the loan amount. ABLs are typically committed for 12 months and then renewed or re-issued annually.

On no less than an annual basis, the Lender must perform a full review of the credit and collateral securing the WCP loan in accordance with the requirements in “[Annual and Renewal Credit Reviews](#Annual_and_Renewal_Credit_Reviews)” in paragraph 6.d below.

##### Specific WCP Eligibility Requirements

In addition to the Core Requirements identified in SOP [50 10](https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs), Section A, the following WCP-specific eligibility requirements apply:

* + 1. Applicant must have a history of at least 12 full months of operations (i.e., generating revenue from business operations) prior to filing an application. In the case of a business acquisition, the acquiring Borrower must have a history of at least 12 full months of operations prior to filing an application.
    2. Applicant must be able to produce timely and accurate financial statements, accounts receivable and accounts payable agings, and inventory reports.

##### Eligible Uses of Proceeds for WCP

* + 1. Loan proceeds may be used for:
       1. Working capital based on a Borrowing Base Certificate.
       2. Working capital to support a project or transaction by funding the related direct costs (direct materials and direct labor) prior to shipment.
       3. Working capital to support government (Federal, state, or local) contracts when the Lender obtains an assignment of proceeds. An assignment of the contract proceeds is ***not*** necessary if at least one of the following conditions are met:
          1. The term of the contract being financed is 12 months or less; or
          2. A successful track record between the Applicant and the contracting authority exists relative to the same or reasonably similar contracts. A “successful track record” includes but is not limited to, any prior contractual arrangement between the subject parties, where the responsibilities of each party under the contract were met to the satisfaction of all parties to the contract. “Same or reasonably similar contracts” includes the size and value of the contract as well as the type of services performed.
       4. Post-shipment accounts receivable financing.
       5. Supporting **performance** standby letters of credit related to short-term projects.
       6. Providing a temporary advance against a Federal or state tax credit or rebate, once they are earned by the business and have been confirmed by the Lender (Note: this bullet is discussing certain tax **rebates** (which are eligible), as distinguished from **income tax** **refunds**, which are not eligible).
       7. Debt refinancing. See paragraph c., below.
    2. Loan proceeds may not be used to:
       1. Provide floor plan financing; or
       2. Provide standby letters of credit issued for financial means;
       3. Provide a temporary advance against a federal or state income tax refund;
       4. Finance pre-shipment or purchase order financing for Foreign-to-Foreign Export Transactions. A Foreign-to-Foreign Export Transaction is defined as a transaction in which the Borrower sells to a foreign buyer, but the goods do not leave a United States port of export. In Foreign-to-Foreign Export transactions, related inventory is ineligible.
       5. Fund a change of ownership, except for the circumstances listed below.
          1. A WCP loan may fund the eligible short term working capital needs of the acquiring business post-closing.
          2. WCP loan proceeds may only be used to fund the portion of a change of ownership directly related to the accounts receivable or inventory as supported with a Borrowing Base Certificate or Transaction-Based WCP facility. In order to do this, the A/R and inventory must be itemized in the business valuation, and these amounts may not be included in a term 7(a) loan (or other loan) that is used for the business acquisition.
    3. Debt Refinancing.

WCP loan proceeds may not be used to pay a creditor in a position to sustain a loss. This includes refinancing debt that will shift all or part of a potential loss from the original Lender to the SBA.

13 CFR §§ [120.140(j)(1)](https://www.ecfr.gov/cgi-bin/text-idx?SID=564c889d04ed1d07a3e0cb26cbd17118&mc=true&node=pt13.1.120&rgn=div5#se13.1.120_1140) and [120.201](https://www.ecfr.gov/cgi-bin/text-idx?SID=b89def6a487c79c60dcf5d813c7d3265&mc=true&node=se13.1.120_1201&rgn=div8)

The following conditions apply to debt refinancing under WCP:

* + - 1. Lenders may use delegated or non-delegated authority to refinance existing SBA 7(a) guaranteed loans (whether term or line of credit) including existing SBA Express, CAPLine, EWCP, and Export Express. This includes SBA 7(a) guaranteed same institution loans.

SBA has the authority to waive regulations in pilot programs. SBA is waiving 13 CFR § 120.452(a)(2) solely to permit Lenders to use their PLP-WCP delegated authority to refinance an existing same institution SBA Express loan even though refinancing a same institution SBA Express loan that has a 50% guaranty into a WCP loan that has a 75% guaranty will reduce the Lender’s existing credit exposure to the Borrower. SBA is allowing this to provide growing small businesses the ability to transition from an SBA Express line of credit to a monitored WCP line of credit when the WCP loan is supported by eligible collateral as discussed above.

* + - 1. For same institution debt, including guaranteed debt from other Federal agencies (e.g., EXIM, USDA), Lenders may refinance this debt into a WCP loan only through non-delegated processing through SBA.
      2. The debt to be refinanced must be, and must have been, current for at least the last 12 months or the life of the loan, whichever is less. “Current” means that a required payment has not remained unpaid for more than 29 days. A loan that has been current for at least the last 12 months, or for the life of the loan, whichever is less, and has matured, is eligible for refinancing.
      3. Any business debt refinanced with a WCP loan must be supported by eligible collateral under a Borrowing Base Certificate or Transaction-Based loan.
      4. The loan being refinanced must be terminated after being paid off with the WCP loan, and any related lien must be released. The Lender must maintain evidence of the notes being refinanced and liens released in the loan file.
      5. Other conditions that apply to debt refinancing:
         1. A 7(a) loan may not be used to refinance a debt owed to a Small Business Investment Company (SBIC) or a New Markets Venture Capital Company 13 CFR § [120.130(b)](https://www.ecfr.gov/current/title-13/part-120/section-120.130#p-120.130(b)).
         2. Disbursements must be made in accordance with the E-Tran terms and conditions.
         3. Prior to first disbursement, the Lender must ensure:

Collateral for the loan being refinanced is transferred to secure the WCP loan.

Any outstanding receivable that would have been applied to pay down the refinanced loan must be applied to pay down the WCP loan in the same or greater percentage.

##### Other Restrictions that Apply to Delegated Processing of WCP loans

The following types of loans are not eligible for delegated processing, and as such must be submitted for non-delegated processing through the Loan Guaranty Processing Center (LGPC):

* + 1. Loans involving a Single Employer 401(k) plan, including Rollovers as Business Start-Ups (ROBS) plan, unless the only investment held by the 401(k) plan at the time of application is the equity in the Applicant business; and
    2. Loans involving a Multiple-Employer 401(k) plan (i.e., a plan that holds in trust the assets of other businesses), including a ROBS plan (see SOP [50 10](https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs), Section A, Ch. 2, Para. B.4., 401(k) Plans Including Rollovers as Business Start-Ups (ROBS) Plans, for more information).

##### Loan Terms and Conditions for WCP

1. Maximum Loan Amount.
   * + 1. The maximum loan amount is $5,000,000.
       2. Maximum loan amounts to Businesses with Affiliates.

13 CFR § [120.151](https://www.ecfr.gov/current/title-13/section-120.151) Lenders must determine whether the Applicant has any affiliates and document the results in their credit analysis. If affiliation exists, SBA’s loan maximums apply to the Applicant, including all affiliates, as if all were a single business. SBA considers an Eligible Passive Company (EPC) and an Operating Company (OC) to be “one business” for this purpose. For more information on SBA’s affiliation rules, see 13 CFR § [121.301(f)](https://www.ecfr.gov/current/title-13/part-121#p-121.301(f)) and SBA’s [Training on Demand](https://www.sba.gov/partners/lenders/training-demand) page, and this affiliation [training aid](https://www.youtube.com/redirect?event=video_description&redir_token=QUFFLUhqbDBFaVQ2NEpUOVZxLUlrOVJJeld1a2hCZ2tnd3xBQ3Jtc0tsMExMcXUzRHFKZHJzUHBZQUJrMjlIUWZRQmhVVzlmSlB3VHoyTHF0NzJSSmFzZS1yY3EweXhWNXVTOUgwT0V6OUdiVzgwOWJrWEhOQmVGaE5TbGV6bENFQnBSazZ4RlVEMVFuOExTaFlGNmlWVjBvdw&q=https%3A%2F%2Fsba.box.com%2Fs%2Fhm1zom10lwgvlvm2pjhx6cwrbpirlnbo&v=b0H6q_CCyT8).

1. Maximum Guaranty Amounts and Percentages.

The maximum dollar amount outstanding of SBA’s guaranty to any one business (including affiliates) must not exceed $3,750,000. SBA considers an EPC and an OC to be “one business” for this purpose. When calculating the maximum guaranty percentage available to a Borrower and its affiliates, the Lender must include the entire approved loan amount for a line of credit. SBA’s guaranty is also known as the “SBA share” or “guaranteed portion.”

* + - 1. The maximum guaranty amount is $3,750,000.
      2. The maximum guaranty percentage is 85 percent for loans $150,000 or less, and 75 percent for loans greater than $150,000.
      3. Zero Percent Guaranty Cannot be Provided for Ineligible Purposes.

A 7(a) loan cannot include proceeds for an ineligible purpose or have any portion of the loan made to an ineligible business and no part of a 7(a) loan may be guaranteed at zero percent.

* + - 1. Combination of 7(a) and 504 loans.
         1. When an Applicant applies for any combination of 7(a) and 504 loans, the order in which the loans are approved determines the maximum loan and guaranty amount available. Because the 7(a) loan has a lower maximum guaranteed amount, the 7(a) loan should be processed and approved first.
         2. Lenders must advise the SBA processing centers that there is a companion 504 application to ensure the 7(a) loan is processed and approved prior to the 504 loan application being processed and approved.

1. Loan Maturities.
   * + 1. The WCP **loan term** represents the period for which the 7(a) loan commitment has been issued. The Lender may set independent **loan maturities** (typically on an annual basis) to take place during the loan term.
       2. The maximum loan term of a WCP is 60 months.
       3. The loan term must be specified in E-Tran and may not be longer than 60 months from the Note date.
       4. Performance Standby Letters of Credit supported by a WCP loan must expire before both the loan maturity date and maximum authorization term.
2. Interest Rates.

SBA QUICK REFERENCE CHART: Maximum Variable Interest Rates Allowed

| Product  7(a) Working Capital Pilot | Interest Rate  Maximum allowable variable rate: |
| --- | --- |
| Loans $50,000 or less | Cannot exceed base rate + 6.5% |
| Loans $50,001 up to and including $250,000 | Cannot exceed base rate + 6.0% |
| Loans $250,001 up to and including $350,000 | Cannot exceed base rate + 4.5% |
| Loans $350,001 and greater | Cannot exceed base rate + 3.0% |

For the 7(a) WCP, the base rate may be the daily Secured Overnight Financing Rate (SOFR) + 3%, Prime Rate, or SBA’s Optional Peg Rate.

General Policy on Interest Rates (13 CFR §§ [120.213](https://www.ecfr.gov/cgi-bin/text-idx?SID=40c56d244eaa72026eaf7b8c125bb7ec&mc=true&node=pt13.1.120&rgn=div5%20-%20se13.1.120_1212#se13.1.120_1213) & [120.214](https://www.ecfr.gov/cgi-bin/text-idx?SID=40c56d244eaa72026eaf7b8c125bb7ec&mc=true&node=pt13.1.120&rgn=div5%20-%20se13.1.120_1212%20-%20se13.1.120_1213#se13.1.120_1214)).

* + - 1. A loan may have a fixed or variable interest rate. The maximum interest rate that may be established for any 7(a) loan is governed by SBA’s regulations on interest rates, which preempts any provisions of a state’s constitution or law. The Lender negotiates the interest rate with the Applicant, subject to SBA’s maximum allowable rates.
      2. SBA will periodically publish the maximum allowable fixed interest rate in the Federal Register. The maximum allowable fixed interest rate will be the Prime Rate in effect on the first business day of the month, plus an allowable spread over Prime, as set forth in the most recent Federal Register Notice. For a listing of the current maximum allowable fixed interest rates, go to SBA’s Fiscal Transfer Agent (FTA) [Wiki](https://catran.sba.gov/ftadistapps/ftawiki/). The maximum allowable fixed rate may only be used by a Lender if such rate will be in effect for the entire term of the loan, without adjustment or reset. Otherwise, the maximum rates for variable rate loans will apply.
      3. For variable interest rate loans, the base rate in effect on the first business day of the month will determine the basis for the initial interest rate for any complete loan application received by SBA during that month. (Note: The date the “complete loan application is received by SBA” is the date the loan is approved and assigned an SBA loan number (for both delegated and non-delegated processing). The initial Note rate must not exceed SBA’s maximum interest rate. The basis for the SBA maximum interest rate is an acceptable base rate plus allowable spread. The spread above the base rate as identified in the Note may not be changed during the life of the loan without the written agreement of the Borrower.
      4. Default interest rates are not permitted.
      5. For loans with a variable interest rate, the following terms must be defined in E-Tran and the Note:
         1. Base Rate and spread.

There are three acceptable base rates: Prime Rate, Secured Overnight Financing Rate (SOFR) + 3%, SBA Optional Peg Rate.

Prime Rate: The Prime Rate will be that rate which is in effect on the first business day of the month, as identified in a national financial newspaper (e.g., Wall Street Journal) or website. This rate may be found in the newspaper on the second business day of the month. If a website is used, please verify whether it is publishing the current day’s rate or the previous day’s rate as some newspaper websites publish the previous day’s rate.

SOFR: The base rate for SOFR is the daily SOFR plus 3%. The SOFR rate will be that rate which is in effect on the first business day of the month.

SBA recognizes that financial institutions use a range of SOFR products to deliver an equivalent reference rate (e.g., 30-day term SOFR or the 30-Day Average SOFR). Lenders may continue to use their established in-house SOFR reference rates of 30 days or less as these rates closely correlate with the daily SOFR rate. The amount of interest SBA will pay to a Lender following default of a WCP loan will be calculated based on the daily SOFR rate as reported by the [Federal Reserve Bank of New York](https://www.newyorkfed.org/markets/reference-rates/sofr?ref=ctvc.co) on the first business day of the month in which the WCP loan was approved by SBA (i.e., the date the loan received and SBA loan number).

The Optional Peg Rate is a weighted average of rates the Federal government pays for loans with maturities similar to the average 7(a) loan. SBA calculates and publishes the Optional Peg Rate quarterly in the Federal Register. Base Rates will be rounded to two decimal places with .004 being rounded down to .00 and .005 being rounded up to .01.

Frequency of change.

Range of fluctuation; and

Ceiling and floor (if any).

* + - * 1. After approval and prior to final disbursement, Lender must either notify the LGPC of any changes to the Note terms related to the interest rate or make the change through E-Tran Servicing. After final disbursement, Lender must either notify the appropriate SBA Commercial Loan Servicing Center (CLSC) of any changes to the Note terms related to the interest rate or make the change through E-Tran Servicing.
      1. Policy on Variable Interest Rates.
         1. Standard Policy: SBA’s maximum allowable interest rate applies only to the initial Note rate on a variable rate loan. Subsequent changes in the base rate are not subject to the maximum rate at the time of loan application; however, the maximum spread over the base cannot exceed SBA’s stated maximum.
         2. Post-Approval Changes to the Interest Rate.

Pre-Disbursement Changes: After loan approval and prior to first disbursement, the Lender may change the initial Note rate, including changing the base rate, the spread over the base rate, or changed from a fixed rate to a variable rate, or from a variable rate to a fixed rate. The Lender must obtain the Borrower’s written consent to the change in the interest rate (separate and apart from executing the loan documents) and must notify the LGPC of the change or make the change through E-Tran Servicing.

For example, an SBA-guaranteed loan was approved with a variable rate. Since the loan was approved, the Prime Rate changed. The Borrower has asked the Lender if the loan can be switched to a fixed rate. If the loan has not been disbursed and the fixed rate selected is reasonable, the Lender may make this change per the Borrower’s request.

Post-Disbursement Changes: After the loan is disbursed, on a variable rate loan, the Lender may change the base rate or the spread over the base rate, provided the new base rate or spread is within SBA guidelines. The Lender must obtain the Borrower’s written agreement and must make the change through E-Tran Servicing. For further guidance see SOP [50 57](https://www.sba.gov/document/sop-50-57-7a-loan-servicing-and-liquidation).

* + - * 1. Frequency of Interest Rate Adjustment.

The first adjustment may occur on the first calendar day of the month following initial disbursement, using the base rate in effect on the first business day of the month.

The Lender must specify in the Note the frequency at which the interest rate adjustment will occur.

This adjustment period as identified in the Note may not be changed without the written consent of the Borrower.

Subsequent adjustments may occur no more frequently than monthly. All subsequent adjustments will set the interest rate on the first calendar day of the adjustment period using the base rate in effect on the first business day of the adjustment period.

The rate of interest will change on the first calendar day of the adjustment period even though the rate may not be known until the second business day of that period.

For example, if the first of the month is a Sunday, the base rate is the Prime Rate in effect on Monday. This rate will be reported in the Wall Street Journal on Tuesday, the third calendar day and second business day of the month. Many Lenders use the calendar quarter as the adjustment period.

* + - * 1. Interest Rate Requirements for an SBA Note.

For fixed rate loans, the Lender must state the specific interest rate in the Note.

For variable rate loans, the Lender must include the following information in the Note:

Identification of the rate being used as the base rate.

The publication in which the designated base rate appears regularly (e.g., For Prime, the Wall Street Journal, for SOFR, the Federal Reserve Bank of New York, and for the SBA Optional Peg Rate, the Federal Register).

The permanent percentage spread to be added to the base rate.

The initial interest rate of the loan (from disbursement to first adjustment).

The date or timing of the first rate adjustment; and

The frequency of rate adjustment.

* + - * 1. Interest Rate Ceilings and Floors.

SBA will permit a Lender to limit the upward and downward adjustments by establishing a floor and ceiling provided that:

Both the floor and ceiling are stated in the Note; and

The difference between the stated rate in the Note and the floor is equal to or greater than the difference between the stated rate in the Note and the ceiling.

For example, if the Note rate is 10% and the ceiling is 12%, the floor must be 8% or lower.

* + - * 1. Accrual Method.

SBA does not require a specific accrual method for WCP loans. While the interest accrual method 365/360 is permitted on WCP loans, Lenders may not use this accrual method and charge the maximum allowable rate of interest.

##### Credit Standards for WCP

The policies that make up SBA’s credit standards begin with the requirements outlined in 13 CFR §§ [120.101](https://www.ecfr.gov/current/title-13/section-120.101) and [120.150](https://www.ecfr.gov/cgi-bin/text-idx?SID=c30ad382390ff1ec55f9a3ad7c641acb&mc=true&node=pt13.1.120&rgn=div5#se13.1.120_1150). This section provides procedural guidance as to what the Lender should or must consider when analyzing any request for financial assistance that will be guaranteed by SBA and for a WCP loan. In accordance with 13 CFR § [120.150](https://www.ecfr.gov/current/title-13/section-120.150), the Applicant must be creditworthy, and loans must be so sound as to reasonably assure repayment.

Lenders must analyze each application in a commercially reasonable manner, consistent with prudent lending standards. WCP loans are self-liquidating loans, and the conversion of trading assets to cash is the primary source of repayment. Thus, if the Lender’s financial analysis or field exam results demonstrates that the Applicant lacks reasonable assurance of repayment in a timely manner from the conversion of sales into cash, or the necessary controls to manage an Asset-Based loan, the loan request must be declined, regardless of the collateral available or outside sources of repayment.

1. Underwriting.

Lender’s credit memorandum must document the Lender’s analysis of the WCP loan in a commercially reasonable manner, consistent with prudent lending standards. Lender must specify whether the request is for a Transaction-Based loan (single or multiple transactions), or an Asset-Based loan.

1. Credit Analysis.

The Lender’s initial credit analysis, performed before the loan is approved, must include the following:

* + - 1. An explanation of the use of proceeds and purpose of the loan, including details of the underlying transaction(s) for which the loan is needed. If the Borrower is exporting, the Lender must outline the country(ies) where the buyer(s) is (are) located.
      2. An indication that the Applicant does not have credit available elsewhere on reasonable commercial terms from non-Federal, non-State, non-local government sources, in accordance with SOP 50 10 (see SOP [50 10](https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs), pages 23-24).
      3. A description of the nature of the business, length of time in business under current management and, if applicable, the depth of management experience in the industry or a related industry. Such analysis should include a brief description of the business’s management team.
      4. If the Applicant plans to use the line to support exports, a discussion on the company’s export experience should include the following:
         1. Dollar amount of revenues that are or will be generated by export sales, and the percentage of total revenue.
         2. Measures used to mitigate international credit exposure such as trade credit insurance or letters of credit.
         3. Principal or proposed export markets; and
         4. Proposed or established export customer relationships.

The SBA’s team of [Export Finance Managers](https://www.sba.gov/article/2017/nov/01/list-useacs-sba-staff) are available to assist with any export finance related matters.

* + - 1. A discussion of financing relationships to include a summary of all short and long term debt relationships, such as:
         1. Revolving lines of credit or other term debt credit facilities, which includes a description of the purpose of the debt, payment structure and collateral.
         2. Debt that is on standby (i.e., the payment terms allow for no payments or interest-only payments). Address whether the standby debt will permit interest payments to be made and, if so, amounts and frequency, and under what conditions such payments can be halted; and
         3. Identify any SBA or other government-guaranteed financing.
      2. A financial analysis of the Applicant’s two most recent years of historical financial information (tax returns or balance sheet with debt schedule and income statement) plus an interim statement. The Lender should also provide an analysis of the Applicant’s financial projections for at least 12 months after first disbursement. The analysis must include:
         1. Analysis of the historical cash flow and total debt service for the existing business.
         2. Calculation of operating cash flow (OCF) defined as earnings before interest, taxes, depreciation, and amortization (EBITDA).
         3. Analysis must document additions and subtractions to cash flow such as the following:

Unfunded capital expenditures.

Non-recurring income.

Expenses and distributions.

Distributions for S-Corp taxes.

Rent payments.

Owner’s Draw; and/or

Global cash flow analysis that includes assessment of impact on cash flow to/from any significant affiliate businesses.

* + - 1. Debt service (DS) is defined as the future required principal and/or interest payments on all business debt inclusive of new SBA loan proceeds.
      2. For projected cash flows, the Lender should provide the calculation of debt service coverage for 12 months after first disbursement using the definitions above (e.g., OCF, EBITDA, DS), and provide analysis of the assumptions supporting the projected cash flow, such as:
         1. Reason for reduced expense structure.
         2. Reason for revenue growth, i.e., new product lines, sales channels, and new production facilities; and
         3. Industry analysis.
      3. For Asset-Based loans, a financial analysis of the collateral securing the WCP loan that addresses any remarks or findings from the field examination.
      4. Ratio calculations for the following financial ratio benchmarks: Current Ratio, Debt/Tangible Net Worth, Debt Service Coverage, inventory turnover, receivables turnover, and payables turnover and any other ratios the Lender considers significant for the business/industry.
      5. As applicable, an analysis of the collateral that may include a discussion of:
         1. Buyer(s) and export destination market(s) risk, which may include economic, political, compliance, currency, or logistics.
         2. Anticipated “terms of sale” on the exports to be financed through the WCP loan.
         3. Credit insurance experience.
         4. The composition and quality of the collateral in the proposed borrowing base that may include:

Quality of the Borrower’s customer base.

The presence of concentration risks.

Delinquency volumes and trends; and

Dilution.

* + - 1. A discussion of Lender’s credit experience with the Applicant and a review of business and personal credit reports.

1. Collateral.

See SOP [50 10](https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs), Section A, Ch. 5, Para. A. for personal, corporate, and other guaranty requirements.

* + - 1. WCP loans must be secured by no less than a first security interest in all collateral associated with the transactions financed by the WCP loan. This includes the inventory and accounts receivables, Federal and state tax credit or rebate (once it is earned by the business or transferred and has been confirmed by the Lender), assignment of credit insurance, letters of credit proceeds, and contract proceeds as applicable. Physical collateral must be in the United States, its territories, or possessions. An assignment of contract proceeds for a WCP Transaction-Based line of credit may be required at the discretion of the LGPC for non-delegated loans, or the PLP-WCP Lender for loans processed under delegated authority.

In general, the inventory produced, and the accounts receivables generated by the business will be considered to provide adequate collateral coverage, and the Lender must take active steps to ensure that the loan always remains [In Margin](#In_Margin). SBA considers a loan to be “in margin” when the loan availability established per the WCP formula is equal to or greater than the principal balance. SBA, for non-delegated loans, or the PLP-WCP Lender for loans processed under delegated authority, may require additional collateral by requiring a lien on other business assets.

When WCP loan proceeds are used to refinance another working capital loan, collateral for the loan being refinanced must be transferred to secure the WCP loan. See the debt refinance section in 3. above for more requirements.

A WCP loan may be issued at the same time as a term loan (conventional or SBA-guaranteed). When doing so, the WCP loan must have lien priority on the trading assets securing and being used by the WCP loan. The Lender must clearly identify the assets securing the WCP loan in the credit memo.

* + - 1. Standby Letters of Credit: Lenders are required to obtain and maintain sufficient collateral if a WCP loan is used to support the issuance of a performance, bid, or advance payment standby letter of credit. Standby letters of credit issued for financial means are prohibited under WCP. This restriction includes but is not limited to facility leases, equipment leases, and warranty bonds.
         1. When issuing a standby letter of credit under a WCP loan, the Lender must secure the collateral by either:

A cash deposit in an account held and controlled by the Lender in an amount equal to at least 25% of the standby letter of credit being issued. This deposit must remain in the account held by the Lender for the term of the standby letter of credit; or

SBA, for loans processed under non-delegated authority, or the PLP-WCP Lender for loans processed under delegated authority, may allow a hold (reserve) against collateral BBC availability and in an amount equal to at least 25% of the standby letter of credit being issued. A hold placed in this manner reduces the overall availability on the line prior to any principal advance.

This hold must remain in reserve and itemized on the Borrowing Base Certificate for the term of the standby letter of credit. The Lender must determine that availability in the borrowing base for the ABL will support all standby letters of credit supported by the WCP loan throughout the term of the obligation.

* + - * 1. When issuing the standby letter of credit, the Lender must reserve 100% of the amount issued against the gross amount of the WCP loan. This is to ensure that the facility has enough capacity to fund a draw on the letter of credit. Lenders using a cash deposit to satisfy the WCP collateral requirement may elect to reduce the loan line by 75% given the liquid nature of the deposit.
        2. In the event of a draw on the standby letter of credit, the Lender must liquidate the cash held on deposit or release the BBC collateral hold.
        3. All Lenders must document in their loan file the type of the additional collateral (e.g. cash collateral or BBC availability).
      1. WCP loans can support export sales. Accounts receivables generated from sales to foreign buyers are not considered a foreign asset and may be taken as collateral. However, only inventory located in the United States may be included in the BBC.

1. Annual and Renewal Credit Reviews.
   * + 1. On no less than an annual basis, and as part of any renewal of the loan, the Lender must obtain updated year end and interim financial statements and perform a full review of the credit and collateral securing the WCP loan. The Lender’s analysis must document that the Applicant:
          1. Is creditworthy.
          2. Has the reasonable assurance of repayment in a timely manner from the conversion of sales into cash; and
          3. Is in compliance with WCP program requirements.
       2. If the Lender’s analysis does not document that all three of the above requirements are met, no further disbursements may be made, and the loan may not be renewed until the Applicant is able to demonstrate that it meets the above three requirements.

##### WCP-Specific Post-Approval Requests for Changes

* + 1. Post-approval and prior to first disbursement: For certain changes to the terms of the loan that are made post approval and prior to first disbursement, Lenders must refer to SOP [50 10](https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs), Section B, Chapter 5, Paragraph B, “Post-Approval Modifications” (page 270). Additionally, Lenders must follow the guidelines in the most recent version of the [Servicing and Liquidation Actions 7(a) Lender Matrix](https://www.sba.gov/document/support--servicing-liquidation-actions-7a-lender-matrix).
    2. Changes after the first disbursement has been made: Lenders must follow the guidelines in SOP [50 57](https://www.sba.gov/document/sop-50-57-7a-loan-servicing-and-liquidation) and the most recent version of the [Servicing and Liquidation Actions 7(a) Lender Matrix](https://www.sba.gov/document/support--servicing-liquidation-actions-7a-lender-matrix). When notification of SBA’s Commercial Loan Servicing Centers (CLSCs) is required, Lenders must notify the appropriate CLSC based on the project address.
       1. **East – Little Rock Loan Servicing Center** covering the following states: Alabama, Arkansas, Connecticut, Delaware, Florida, Georgia, Kentucky, Maine, Maryland, Massachusetts, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Oklahoma, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, Tennessee, Texas, The U.S. Virgin Islands, Vermont, Virginia, Washington, DC, West Virginia. 800-644-8564 [Little Rock CLSC](http://www.sba.gov/LittleRockCLSC) [lrsc.servicing@sba.gov](mailto:lrsc.servicing@sba.gov).
       2. **West – Fresno Loan Servicing Center** covering the following states: Alaska, Arizona, California, Colorado, Guam, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Utah, Washington, Wisconsin, Wyoming. 800-347-0922; [Fresno CLSC](http://www.sba.gov/FresnoCLSC) [fsc.servicing@sba.gov](mailto:fsc.servicing@sba.gov).

##### WCP-Specific Loan Closing and Disbursement Requirements

See SOP [50 10](https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs), Section B, Chapter 5, Para. D., for additional information for loan closing, disbursement, and Note requirements.

* + 1. Loan Terms.
       1. Under WCP, there are two options for repayment. Advances on the line of credit must not occur unless the loan is In Margin. (See [Loans that are not In Margin or are Past Due](#Loans_that_are_not_In_Margin_or_are_Past) below):
          1. Option 1: All cash and accounts receivable received are applied against the principal balance plus interest payments on outstanding balances;
          2. Option 2: Interest-only payments on outstanding balances.
       2. WCP with Master Notes, and Sub-Notes: WCP loans may be structured with a Master Note to cover the total loan amount and general repayment period. Lenders can also use a system of sub-notes to establish specific repayment periods for specific purchase-orders, contracts, or transactions. The conditions of the sub-notes must not conflict with the conditions of the Master Note, except for variances in repayment schedules.
       3. Loan Management: For Transaction-Based loans where advances are made against purchase orders or contracts prior to shipment, the maximum advance rate is **the lesser of:**
          1. 85% of the purchase order/contract/receivable; or
          2. The Borrower’s direct costs (direct labor and /or direct materials).

Accounts receivable created using a Transaction-Based loan and proceeds from any Federal or state tax rebate or tax credit program must be captured by the Lender using a [Cash Collateral Account](#Cash_Collateral_Account) and applied against the outstanding principal loan balance. Additionally, Federal or state tax rebates or tax credits must be earned by the business and must be confirmed by the Lender. Once the principal balance on the related advance has been paid, future payments received can be remitted to the Borrower.

* + - 1. Domestic Accounts Receivable Advance Rates.

Except as stated below, the maximum advance rate on eligible domestic accounts receivable is up to 85%. [Cash Collateral Accounts](#Cash_Collateral_Account) may be required either by SBA for loans processed under non-delegated authority or by the Lender for loans processed under PLP-WCP authority.

The maximum advance rate on medical insurance receivables is up to 40% unless the Lender has received prior written approval from SBA.

The Lender may set a maximum advance rate on eligible domestic accounts receivable up to 90% only if one of the following conditions applies:

* + - * 1. The domestic accounts receivable are supported by an irrevocable letter of credit; or
        2. The accounts receivable are part of a prime Federal contract, and the Lender has obtained an assignment of the contract proceeds under the Assignment of Claims Act of 1940 (the Act), 31 USC 3727; or
        3. The Borrower is a subcontractor, and the prime contractor has obtained an assignment under the Act and the contract proceeds will be disbursed by a third-party funds control facility; or
        4. The accounts receivable are insured by a major private insurer and the Lender is listed as loss-payee.
      1. Foreign Accounts Receivable Advance Rates.

On an Asset-Based WCP loan where advances are made through a borrowing base, the maximum advance rate on eligible uninsured foreign accounts receivable sold on open account is up to70%.

The total availability extended against uninsured foreign accounts receivable must not exceed 15% of the WCP loan amount.

The Lender may set a maximum advance rate on eligible foreign accounts receivable up to 90% as long as one of the following conditions applies:

* + - * 1. The foreign accounts receivable are supported by an irrevocable letter of credit; or
        2. The foreign accounts receivable are insured by the Export-Import Bank or a major private insurer and the Lender is listed as loss-payee.

On a Transaction Based WCP loan, the Lender may not advance on uninsured foreign accounts receivable. The 7(a) Export Working Capital Program has specific parameters governing uninsured foreign accounts receivable advances and can be used as an alternative.

* + - 1. Inventory Advance Rates.

On an Asset-Based revolving line of credit where advances are made against a borrowing base of accounts receivables and/or inventory, the maximum advance rate on eligible inventory located within the United States is up to 60%. No advances are permitted on inventory located outside of the United States.

* + - 1. Fixed Asset Advance Rates – Not eligible.

Fixed assets such as equipment or real estate are not eligible collateral for advances on a WCP loan. Other assets may be taken as additional collateral to secure the loan, but the Lender is prohibited from advancing against them.

* + - 1. Field Examinations.
         1. The Lender must perform a field examination prior to the first disbursement on all Asset-Based WCP loans that are $1,000,000 or greater.
         2. The field examination may be conducted by the Lender’s internal audit staff or a third-party examiner. An examination is a verification of the assets that compose the borrowing base. Examinations must include a sampling of the assets (receivables and inventory) included in the borrowing base.
         3. If the Asset-Based WCP loan is $2,000,000 or greater, the Lender must conduct a field examination at least annually.
         4. For Asset-Based WCP loans less than $2,000,000: After the initial field exam prior to the first disbursement (if applicable), the frequency of field examinations may be determined by the Lender based upon the quality of the records, risk profile of the Borrower and seasonality of the line. If the Lender determines that a field examination is not necessary as part of the annual review, the Lender must document the specific circumstances that enabled the decision. Acceptable criteria for not conducting an annual field examination for loans of less than $2,000,000 includes but is not limited to: overall line utilization, level of inventory reliance, suppressed availability, etc. An exception to this requirement is when $1 million or greater in medical insurance receivables are included in the BBC, the Lender must conduct a field exam at least annually.
      2. Borrowing Base Certificates.
         1. All Asset-Based WCP loans must be administered using a Borrowing Base Certificate. The Lender may require a BBC more frequently than stated below if it does so in accordance with the policies and procedures the Lender uses for its similarly-sized non-SBA guaranteed commercial lines.

For WCP loans of $1,000,000 or less, the Lender must obtain BBCs at least quarterly.

For WCP loans greater than $1,000,000, the Lender must obtain BBCs at least monthly.

* + - * 1. A Lender may require BBC submissions with each draw on the line to support a line structure that updates the accounts receivable availability throughout the month. To administer this method, the Lender must obtain a new BBC with each draw. BBCs used to support a draw that occurs before a monthly BBC is due must identify the new billings and collections that occurred since the last certificate was received.
      1. BBC Collection.
         1. The Lender must obtain the appropriate accounts receivable, accounts payable, and inventory reports necessary to determine their collateral position and for the coming period. Lenders may use their own forms for the BBC. A sample BBC is provided in SOP [50 10](https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs), Appendix 9.
         2. Most Lenders require that the BBC is received by the 15th day of the following month. Lenders may choose when the BBC is due, but in no case may the due date be more than 30 calendar days after the end of a month.
         3. If the Borrower fails to submit the required **monthly** BBC to the Lender within 60 days of the month end, advances on the line of credit must stop until the BBC is obtained and the loan is confirmed to be [In Margin](#In_Margin).
         4. If the Borrower fails to submit the required **quarterly** BBC to the Lender within 30 days of the month end, advances on the line of credit must stop until the BBC is obtained and the loan is confirmed to be In Margin.
         5. When the line is not in use with no outstanding principal balance and is not supporting the issuance of any letters of credit, the Lender may suspend the collection of Borrowing Base Certificates. Once suspended, the Lender must obtain a new BBC or complete a full credit memo documenting the current collateral position prior to making an advance.
      2. Loans that are not In Margin or are Past Due.

If the Borrowing Base Certificate shows the Borrower is not In Margin or has not submitted a required BBC, the Lender must immediately require the Borrower to make a payment to reduce the loan balance to the point that it is within the borrowing base formula or obtain additional eligible collateral (i.e. marketable securities). The Lender must document their attempts to address the out-of-margin scenario in their credit file.

No additional advances may be made against a line that is not In Margin until the line is brought back in balance unless the Lender receives SBA’s prior written consent through [7aLoanMod@sba.gov](mailto:7aLoanMod@sba.gov) (regardless of whether the loan is processed on a non-delegated or PLP-WCP delegated basis).

* + - 1. Level of Funds Control for Asset-Based Facilities.

The level of funds control for Asset-Based WCP structures is determined by the banking relationship the Lender has with the Borrower.

* + - * 1. If the Lender maintains the Borrower’s primary operating deposit accounts, the Lender must follow the same policies and procedures for Cash Collateral Accounts and other types of controlled accounts that the Lender uses for its similarly-sized, non-SBA guaranteed Asset-Based lines.

For quarterly or monthly BBC submissions, the Lender may use a [Cash Collateral Account](#Cash_Collateral_Account), but it is not required.

For daily or per draw BBC submissions, the Lender must use a Cash Collateral Account for the purposes of applying financed proceeds against the line of credit balance.

* + - * 1. If the Lender does not hold the Borrower’s primary operating deposit accounts:

Lender must use a Cash Collateral Account or a general collection account administered under a deposit account control agreement or similar instrument.

Lender must sample invoices using the same policies and procedures that the Lender uses for its similarly-sized, non-SBA guaranteed Asset-Based lines.

The Lender must document how they would collect payment directly from the Borrower if needed. This includes but is not limited to out-of-margin scenarios where an immediate paydown to the principal balance would be required.

* + - 1. Level of Funds Control for Transaction-Based Facilities: Cash Collateral Accounts are required for all Transaction-Based WCP structures.
    1. Collateral Requirements & Restrictions.
       1. Accounts Receivable General Guidelines.
          1. Accounts receivable taken as collateral must be invoiced by the Borrower and not through any affiliate entity.
          2. The WCP loan must have a first position priority lien interest in the entire category of accounts receivable (domestic accounts receivable and/or foreign accounts receivable) used by an Asset-Based WCP facility.
          3. The Borrower may use a separate Transaction-Based WCP or 7(a) EWCP or other loan facility to finance an individual project(s) or buyer(s) so long as the rest of the assets within the category collateralize the WCP loan.

Under this scenario, all proceeds from the liquidation of the account receivable category (domestic and/or foreign) other than the named project(s) or buyer(s) must be used to pay down the WCP loan before any proceeds may be applied to another loan.

* + - * 1. Lenders are prohibited from selecting individual accounts receivable for financing under a WCP if the rest of the domestic accounts receivable and/or foreign accounts receivable are not pledged as collateral to the line of credit.
        2. When the accounts receivable are insured, and when 50% or more of the total accounts receivable for a specific buyer are over 60 calendar days past the original due date, the Lender may continue to include them in the borrowing base so long as the policy owner’s rights to file a claim under the policy remain intact. This includes foreign accounts receivable.
      1. Foreign Accounts Receivable Requirements.
         1. Compliance.

Lenders must ensure that no availability is granted to foreign buyers in prohibited countries found on the Export-Import Bank (EXIM) Country Limitation Schedule. Prohibited countries are identified by Note # 7 on the EXIM Country Limitation Schedule.

Lenders must comply with Department of Treasury OFAC sanctions lists found at [sanctionssearch.ofac.treas.gov/](https://sanctionssearch.ofac.treas.gov/).

For federally-regulated Lenders, compliance with the procedures required by the Lender’s Federal Financial Institution Regulator will constitute compliance with the above referenced OFAC requirement.

For SBA Supervised Lenders, Lender must check the OFAC sanctions lists prior to first disbursement of funds on each specific [Export Transaction](#Export_Transaction).

* + - * 1. Jurisdiction and Currency of Foreign Accounts Receivable.

Foreign accounts receivable held as collateral should be payable to the Borrower in the United States and in U.S. dollars. Foreign accounts receivable due and payable in non-U.S. currency may be permitted, for loans processed under non-delegated authority, on a case-by-case basis with SBA’s prior written consent through [7aLoanMod@sba.gov](mailto:7aLoanMod@sba.gov), or for loans processed under PLP-WCP authority, by the PLP-WCP Lender.

Depending on the stability of the foreign currency, for loans processed under non-delegated authority, SBA, or for loans processed under PLP-WCP authority, by the PLP-WCP Lender, may require that the Borrower mitigate the risk through hedging (purchasing of a forward currency contract, forward option, or similar mechanism) as a condition of such approval. When advancing against a transaction payable in a foreign currency, Lender must use an established foreign exchange rate and must retain documentation showing the exchange rate used and the Lender’s calculation of the amount of the advance.

* + - 1. Accounts Receivable Restrictions.
         1. None of the following types of accounts receivable are eligible for inclusion in a WCP loan unless the Lender receives SBA’s prior written consent (regardless of whether the loan is processed on a non-delegated or PLP-WCP delegated basis) through [7aLoanMod@sbagov](mailto:7aLoanMod@sba.gov).

An account receivable that, by its original terms, is due and payable more than 180 calendar days from the date of the invoice, except those accounts receivable supported by acceptable letters of credit or credit insurance.

An account receivable that is subject to any adjustment, deduction, defense, dispute, or counterclaim, or the account receivable is contingent in any respect or for any reason, excluding medical insurance receivables.

Medical insurance receivables with an advance rate that exceeds 40%.

Any portion of accounts receivable due from a credit insured buyer that exceeds the limit established under the policy.

An account receivable due from an affiliated company.

* + - * 1. None of the following types of accounts receivable are eligible for inclusion in a WCP loan: No exceptions to policy will be made.

An account receivable for which an invoice has not been sent (pre-billing). If pre-billings are discovered during underwriting or through the field exam process, Lenders may remediate the pre-billings by establishing a pre-billing reserve or insurance endorsement to address the gap between when the buyer is invoiced and when the goods are shipped.

An account receivable due from an individual consumer.

A foreign account receivable that is due and payable from a foreign buyer located in a country with which SBA is legally prohibited from doing business as identified in Note #7 in the EXIM Country Limitation Schedule.

An account receivable that the Lender deems uncollectible or unacceptable, including situations in which the items have been returned, rejected, or repossessed.

An account receivable that arises from a bill-and-hold, guarantee sale, sale-and-return, sale on approval, consignment, or any other repurchase or return basis or is evidenced by chattel paper.

Offsetting accounts receivables and payables between the Borrower and one of its creditors (contra accounts). To determine net eligibility in these situations, the eligible accounts receivable must be reduced by the entire amount of the accounts payable.

When the accounts receivable are not insured, and when 50% or more of the total accounts receivable for a specific buyer are over 60 calendar days past the original due date, then the total accounts receivable for that buyer are excluded. The buyer must remain ineligible for further advances until the entire balance due over 60 days has been paid and the account is once again in good standing.

All accounts receivable due from a credit insured buyer that the Borrower or Lender have elected not to file a claim against in the event of non-payment. This rule is triggered at the end of the filing window established under the policy.

* + - * 1. In addition to the above minimum requirements, the Lender must use the same policies and procedures that the Lender uses for its similarly-sized, non-SBA guaranteed Asset-Based lines to determine accounts receivable eligible to be included in the borrowing base.
      1. Inventory.
         1. General Guidelines.

The WCP loan must have a first position priority lien interest on all inventory eligible under an Asset-Based WCP facility. All proceeds from the liquidation of inventory must be used to pay down the WCP loan before any proceeds may be applied to another loan.

Inventory taken as collateral must be located within the United States.

Inventory must be valued at cost in accordance with Generally Accepted Accounting Principles (GAAP). If the Lender calculates the appraised market value or net orderly liquidation value, they must adjust the inventory value to the lower value. Inventory may include raw materials, work-in-process, and finished goods.

Advance rates against eligible inventory may vary depending on inventory quality and are subject to [Inventory Advance Rates](#Inventory_Advance_Rates) above.

* + - * 1. Inventory Restrictions: None of the following types of inventory are eligible for inclusion in a WCP loan. No exceptions to policy will be made.

Inventory that is not subject to a valid, perfected, and enforceable first priority lien in favor of the Lender.

Inventory located at an address that has not been disclosed to the Lender in writing.

Inventory that is not located in the United States.

Inventory that is placed by the Borrower on consignment or held by the Borrower on consignment.

Demonstration inventory.

Inventory that consists of proprietary software, spare parts, or any other class of inventory not intended for resale; and

Inventory that is damaged, obsolete, returned, defective, recalled, or unfit for further processing.

* + - * 1. In addition to the above **minimum** requirements, the Lender must use the same policies and procedures that the Lender uses for its similarly-sized, non-SBA guaranteed Asset-Based lines to determine inventory eligible to be included in the borrowing base.
      1. Certifications.
         1. The Borrower must certify that appropriate withholding tax deposits on advances for payroll have been made and that no loan proceeds will be used to pay delinquent withholding taxes or other similar trust funds (state sales tax, etc.). The Lender may include this certification as part of its Borrowing Base Certificate.
         2. When applicable, the Borrower must provide the Lender with a copy of valid export license(s) for each different product and each different country.

##### Fees

1. Fees the Lender pays SBA.

There are two types of fees the Lender pays SBA. Each year SBA publishes an Information Notice on [SBA's website](https://www.sba.gov/documents) that details the fees payable to SBA for the upcoming fiscal year.

* + - 1. The SBA Guaranty Fee (also known as the Upfront Fee) is the fee a 7(a) Lender must pay to SBA for each loan guaranteed under the 7(a) program. The 7(a) Lender is permitted to pass the cost of the Upfront Fee to the Borrower after the Lender has paid the Upfront Fee to SBA.
         1. The Upfront Fee for WCP is modeled after SBA’s 7(a) EWCP, which has an annual short-term guaranty fee that operates as a function of time, charging a proportional amount for each year the facility is in use. For each year the facility is in place, the Borrower pays a short-term guaranty fee for a one-year term rather than a guaranty fee for a long-term maturity. This feature ensures that the Borrower is only paying a fee for the time that they need and avoids the runup in the guaranty fee that occurs after the first 12 months. The Lender may choose to collect this guaranty fee on an annual basis or for multiple years at origination. When charging the fee on an annual basis, the Lender must perform an E-Tran servicing action to extend the loan beyond the initial term.
         2. Once a loan has been initially disbursed, SBA will not refund the Upfront Fee, even if the loan is subsequently cancelled or paid off early.
      2. The 7(a) Lender’s Annual Service Fee (also known as the SBA On-Going Guaranty Fee) is a fee the 7(a) Lender must pay SBA, and it may not be passed on to the Borrower.
      3. See 13 CFR § [120.220](https://www.ecfr.gov/cgi-bin/text-idx?SID=40c56d244eaa72026eaf7b8c125bb7ec&mc=true&node=pt13.1.120&rgn=div5%20-%20se13.1.120_1344#se13.1.120_1220) and SOP [50 10](https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs) for more information.

1. Fees the Lender May Charge the Borrower.

SBA allows Lenders to charge certain fees to the Borrower. Except where this Program Guide is more specific or contains other guidance, Lenders must follow the requirements in 13 CFR § [120.221](https://www.ecfr.gov/cgi-bin/text-idx?SID=564c889d04ed1d07a3e0cb26cbd17118&mc=true&node=pt13.1.120&rgn=div5#se13.1.120_1221) and SOP [50 10](https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs).

The Applicant may not be charged for the same service by two different entities. The Lender must advise the Applicant in writing that the Applicant is not required to obtain or pay for unwanted services. The Lender must itemize for the Applicant in writing any fees charged in association with the 7(a) loan. The Applicant is responsible for deciding whether fees are reasonable. SBA may review these fees at any time. Lender must refund any such fee considered unreasonable by SBA.

Lenders may charge the Applicant or Borrower for the following types of fees:

* + - 1. Service and packaging fees.

The Lender may charge an Applicant reasonable fees (customary for similar Lenders in the geographic area where the loan is being made) for packaging and other services.

* + - * 1. Regardless of the fee amount, any time the Lender charges the Applicant or Borrower a service and packaging fee, the Lender must report the fee to SBA through E-Tran.
        2. Service and packaging fees ***must*** be charged on an hourly basis (with 8 hours equal to one day). In the WCP, Lenders may not charge service and packaging fees based on a percentage of loan amount. Examples of allowable service and packaging fees are:

Field examinations

Document preparation fees charged to prepare the initial loan approval.

Document preparation fees related to a loan renewal (typically annually).

Legal services performed in conjunction with i)-iii) above.

* + - 1. Extraordinary servicing fees. For the WCP Program, SBA has granted a blanket waiver of the requirement at 13 CFR § [120.221(b)](https://www.ecfr.gov/current/title-13/part-120#p-120.221(b)) of the Lender’s requirement to obtain SBA’s prior written approval to charge extraordinary servicing fees. These fees may be charged on an annual or monthly basis provided they do not exceed 2% of the approved loan amount.

Note: SBA recognizes that the entire approved loan amount requires special servicing due to the nature of the required servicing and Lender oversight of the Borrower, because the Lender must facilitate controls based on the entire loan amount, and because the Lender must be prepared to advance the entire loan amount, therefore, SBA considers the approved loan amount to be the outstanding balance under 13 CFR § [120.221(b)](https://www.ecfr.gov/current/title-13/part-120#p-120.221(b)).

* + - 1. Out-of-pocket expenses such as necessary out-of-pocket expenses for filing or recording fees, delivery charges, and other direct charges related to loan closing. Out-of-pocket expenses are not reported to SBA, but these costs must be itemized and kept in the loan file for SBA’s review.
      2. Late payment fee not to exceed 5% of the regular loan payment when the Borrower is more than 10 days delinquent on its regularly scheduled payment. Late payment fees are not reported to SBA, but the Lender must document the fees charged in the loan file.

1. Use of Agents and Fees Agents May Charge.

SBA permits a third party to charge an Applicant fees for packaging and other services. SBA regulations at 13 CFR § [103](https://www.ecfr.gov/current/title-13/part-103) and SOP [50 10](https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs), Section A, Chapter 4, Paragraph D, govern the activities of Agents, the disclosure of fees, and SBA’s expectations of 7(a) Lenders in exercising due diligence and prudent oversight of their third party vendors, including LSPs, and other loan agents. See 13 CFR § [103](https://www.ecfr.gov/current/title-13/part-103) and SOP [50 10](https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs) for more information.

##### Authority to Participate as a 7(a) Lender Making WCP loans

A Lender must be approved by SBA to participate in the 7(a) Loan Program before it can begin making WCP loans. SOP [50 56](https://www.sba.gov/document/sop-50-56-1-lender-participation-requirements) contains the Lender Participation requirements including how to apply to become an SBA 7(a) Lender and Lender oversight by SBA. Evidence that a Lender has been approved by SBA to participate in the 7(a) Loan Program is an executed SBA Form 750, “Loan Guaranty Agreement”, or an executed SBA Form 750EX.

##### Processing Methods - Non-Delegated and Delegated Authority

* + 1. Non-Delegated Authority.
       1. For all loans submitted using the non-delegated process through SBA’s Loan Guaranty Processing Center (LGPC) (including loans from Lenders with delegated authority using this processing method), the Lender must submit applications for guaranty and all attachments via E-Tran to SBA. SBA will make the final determination as to the eligibility and creditworthiness of the Applicant, including approving the uses of proceeds, the adequacy of the collateral being pledged, and the structure of the loan and will either approve or decline the loan in E-Tran.
       2. To apply to become a new 7(a) Lender, see SOP [50 56](https://www.sba.gov/document/sop-50-56-1-lender-participation-requirements), Section A, Chapter 1, Paragraph A.
       3. During the term of the Working Capital Pilot, the program will be supported by the SBA’s team of [Export Finance Managers](#Export_Finance_Manager). SBA encourages Lenders to ask for support from their local Export Finance Manager for individual transactions (including domestic transactions) as needed.
       4. Lenders must submit applications to SBA via E-Tran.
       5. If SBA declines the loan, the Lender may request reconsideration within 6 months of the date of decline by submitting a request to the LGPC.
       6. Once submitted to SBA, an application withdrawn by a Lender, screened-out, or declined by the LGPC may not be approved by any Lender under its PLP-WCP delegated authority for 12 months. E-Tran will not permit the submission of such an application under any Lender’s PLP-WCP authority for a period of 12 months from the date of the withdrawal, screen-out, or decline of the application.
    2. Delegated Authority in WCP.

The delegated authority applicable to WCP is PLP-WCP.

SBA may grant delegated authority to certain qualified Lenders with experience in Asset-Based lending to process, close, service, and liquidate WCP loans without prior SBA review. When a Lender submits a WCP loan guaranty request under the Lender’s PLP-WCP delegated authority, the Agency does not review the Lender’s analysis of the credit or structure of the loan or line of credit prior to issuing a loan number.

The Lender must analyze credit worthiness in accordance with SBA Loan Program Requirements and properly document its file. The PLP-WCP Lender’s analysis is subject to SBA’s review and determination of adequacy when the Lender requests SBA to purchase its guaranty or when SBA is conducting Lender oversight activities. For more information on delegated authority, see SOP 50 56, Section A, Chapter 1, Para. E.

7(a) Lenders with existing PLP delegated authority do ***not*** automatically have authority to make WCP loans using delegated authority.

Lenders with delegated authority may elect on a case-by-case basis to process certain loans under non-delegated authority by submitting their loan application to SBA for approval via E-Tran.

During the term of Working Capital Pilot, the program will be supported by the SBA’s team of [Export Finance Managers](#Export_Finance_Manager). SBA encourages Lenders to ask for support from their local Export Finance Manager for individual transactions (including domestic transactions) as needed.

The following outlines the process for Lenders to obtain PLP-WCP delegated authority:

* + - 1. PLP-EWCP: Lenders in good standing with SBA that have PLP-EWCP delegated authority will be automatically approved for PLP-WCP delegated authority with no action required by the PLP-EWCP Lender.

Lenders in good standing with SBA that have delegated authority in the Export-Import Bank’s Working Capital Guaranty Program are immediately eligible for PLP-EWCP delegated authority. These Lenders should apply for PLP-EWCP status in accordance with SOP [50 56](https://www.sba.gov/document/sop-50-56-1-lender-participation-requirements).

* + - 1. PLP-WCP: This delegated authority is reserved just for WCP.
         1. Qualifications for initial PLP-WCP delegated authority consideration:

The Lender must demonstrate to SBA’s satisfaction that it:

Meets the delegated authority criteria set forth in SOP [50 56](https://www.sba.gov/document/sop-50-56-1-lender-participation-requirements), Section A, Chapter 1, Para. E.1; and

Has the continuing ability to evaluate, process, close, and disburse WCP loans by meeting any of the three options in b)ii)(i) below. Acquired loans do not count towards this minimum amount.

* + - * 1. Process to obtain PLP-WCP delegated authority.

To apply for initial PLP-WCP authority, a Lender must submit a request to the Director, Office of Credit Risk Management (D/OCRM) or designee at [DelegatedAuthority@sba.gov](mailto:DelegatedAuthority@sba.gov).

The Lender’s request should include:

Legal name and address of Lender.

Legal name of any holding company of Lender.

Name, title, address, phone number, email address and fax number for contact person at Lender.

Lender’s Lead District Office.

A copy of the Lender’s SBA Form 750 and SBA Form 750B, if applicable.

If Lender was previously a PLP Lender, an explanation of why the Lender left the Preferred Lenders Program.

A description of the Lender’s history, organization, and management, including:

When the Lender was chartered.

Any recent mergers or acquisitions.

Personnel who will oversee PLP loan activities for the Lender, have PLP loan approval authority, and their experience with the Lender, in the industry, and with SBA loans, including any training they have received; and

Where and how PLP loans will be processed, closed, serviced, and liquidated;

A good standing/satisfactory statement on Lender’s letterhead. The Lender’s written request to participate must include a written statement that to the best of its knowledge, the Lender has satisfactory: (a) financial condition (i.e., is deemed well-capitalized based on size of entity, has sufficient liquid assets, etc.); (b) small business credit administration policies, procedures, and practices that it continues to adhere to in its operations; and (c) small business servicing policies, procedures, and practices that it continues to adhere to in its operations. When reviewing good standing/satisfactory status, SBA will look to see that a Lender does not have significant deficiencies or weaknesses in these areas. “Significant” may be evidenced by the number or seriousness of the deficiencies, as determined by SBA in its discretion. SBA will verify any good-standing/satisfactory status statement where possible with public (e.g., Cease and Desist Orders and Call Reports) and/or non-public information from the Lender’s primary and/or other regulators.

One of the following:

A list of at least 10 WCP, EWCP, and/or CAPLine loans disbursed by the Lender within the past 24 months, including SBA loan number, face loan amount, and status of the loan (e.g., current, delinquent, paid in full, etc.); or

A list of at least 10 non-SBA guaranteed Asset-Based loans disbursed by the Lender within the past 24 months, including Lender’s loan identification number, face loan amount, status of the loan (e.g., current, delinquent, paid in full, etc.), and a copy of the Lender’s policies and procedures on Asset-Based lending.

A combination of 10 loans consisting of WCP, EWCP, CAPLine or the Lender’s non-SBA guaranteed Asset-Based loans disbursed by the Lender within the past 24 months, and a copy of the Lender’s policies and procedures on Asset-Based lending.

##### Submission of Application for Guaranty for WCP

1. Contents of Lender’s Application for Guaranty.

Lenders must list in E-Tran all Beneficial Owners of at least 20% of the Applicant, and at least 51% of the total “Beneficial Owners” of the Applicant. A Beneficial Owner is a “Person” who owns a concern directly or indirectly through another entity. For example, if Jane Doe owns 100% of Jane Doe, Inc., and Jane Doe, Inc., owns 50% of the Applicant, Jane Doe is the beneficial owner of 50% of the Applicant. A Person is any individual, corporation, partnership, association, unit of government, or legal entity, however organized.

SBA Form 1919 includes information on the number of existing employees at the time of application and the number of jobs to be created or retained as a result of the loan.

* Number of existing employees at the time of application is calculated in accordance with 13 CFR § [121.106](https://www.ecfr.gov/current/title-13/section-121.106), which states in part that SBA counts all individuals employed on a full-time, part-time, or other basis (i.e., jobs are not converted to full-time equivalents).
* Jobs “created” means the number of full-time (or equivalent) employees that the small business expects to hire as a result of the loan.
* Jobs “retained” means the number of full-time (or equivalent) employees on the payroll of the business at the time of application that will be lost if the loan is not approved.
* “Employees” does not include contractors reported via IRS Form 1099.
* “Export Sales” means the total value of the export activity supported during the term of the loan.
  + - 1. Program forms can be found at [www.sba.gov/documents](https://www.sba.gov/documents).
         1. Centralized 7(a) Loan Submission Instructions can be found at the 7(a) LGPC website along with other forms, telephone numbers and fax numbers: [www.sba.gov/CitrusHeightsLGPC](https://www.sba.gov/about-sba/sba-locations/loan-guaranty-centers/loan-guaranty-processing-center-citrus-heights-ca-hazard-ky).
         2. All WCP loan files must include the forms and information the Lender requires to make an informed credit decision. Any application form obtained by the Lender from the Applicant must be certified by the Applicant as true and complete.
      2. For applications to reissue an existing WCP line of credit that is maturing with a new loan number, the Lender must obtain and submit (if processed through non-delegated procedures) a new SBA Form 1919 and all documentation listed below in paragraphs iv through x.
      3. Lenders processing WCP loans under their PLP-WCP authority must submit the information required in SBA Form 1919, SBA Form 2534, and the loan terms and conditions into E-Tran.
      4. Non-Delegated WCP requirements.

For all WCP loans submitted using the non-delegated process through the LGPC (including Lenders with PLP-WCP delegated authority processing the loan through non-delegated procedures), Lender must obtain and retain in its file all documentation listed below. In addition, Lender must submit via E-Tran to SBA those items below emphasized in bold as part of the application for guaranty.

* + - 1. Lenders processing a WCP loan under delegated or non-delegated authority must submit to E-Tran all terms and conditions required by E-Tran data fields.
      2. [**SBA Form 1919**](https://www.sba.gov/document/sba-form-1919-borrower-information-form)**:** A separate SBA Form 1919 for each co-Borrower must be completed and signed by the authorized representative of the Applicant and submitted to the Lender. The aggregate amounts of the “Purpose of the loan” sections across all SBA Forms 1919 should equal the total amount of the loan request. Only the information required on SBA Form 1919, and not the form itself, must be submitted into E-Tran, although the Lender must obtain and retain the signed form in its file.
      3. [**SBA Form 2534**](https://www.sba.gov/documents), “7(a) Working Capital Pilot Program Addendum to SBA Form 1919”. Only one SBA Form 2534 should be submitted as part of the application. Only the information required on SBA Form 2534, and not the form itself, must be submitted into E-Tran, although the Lender must obtain and retain the signed form in its file.
      4. **Lender’s Credit Memorandum**, which must address all requirements in paragraph 6, Credit Standards for WCP, above.
      5. **Owner Financial Statements** (business or personal, as appropriate) dated within 120 days of submission to SBA, for all owners of 20% or more (including the assets of the owner’s spouse and minor children), and proposed guarantors, except Supplemental Guarantors. Lenders may use [SBA Form 413](https://www.sba.gov/document/sba-form-413-personal-financial-statement-7a504-loans-surety-bonds) or their own equivalent form. **If the Lender requires owner financial statements for its similarly-sized, non-SBA guaranteed loans, these statements must be submitted to LGPC as part of the application.** If the Lender uses a credit score to evaluate the owner financials, then the Lender does not need to obtain owner financial statements.
      6. **Tax transcripts in accordance with SOP** [**50 10**](https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs), Section A, Chapter 5, Para. B, IRS Tax Transcript/Verification of Financial Information (if required), and either business financial statements or tax returns for the last 3 years and interim financial statements for the Applicant and any affiliates. The following information must be provided:
         1. Year End Balance Sheet for the last 3 years, including detailed debt schedule.
         2. Year End Profit & Loss Statements for the last 3 years.
         3. Detailed debt schedule dated within 120 days of application.
         4. Interim financial statement dated within 120 days of application.
         5. Accounts receivable and accounts payable agings, and applicable inventory reports (dated within 120 days of application).
         6. Copy of letter of credit or copy of buyer’s order/contract, if applicable.
         7. Trade credit insurance-related material (policy, application, buyer credit limit), if applicable; and
         8. Copy of export license(s), if required.

1. Loan Closing through Disbursement.

See SOP [50 10](https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs), Section B, Chapter 5, E-Tran Terms and Conditions through Disbursement for all 7(a) Loans, for SBA requirements for loan closing and disbursement, post-approval and pre-disbursement requests for changes, and transfer of guaranty between participating Lenders.

##### Definitions specific to WCP

See SOP [50 10](https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs), Appendix 3, for more definitions.

**Cash Collateral Account:** A deposit account in the name of the Borrower but under the control of the Lender that serves to secure and service a related loan. Funds entering the account are applied against the loan balance once they have cleared. Cash collateral accounts may also go by other names such as lockbox accounts, control accounts, limited dominion accounts, and others.

**Domestic-to-Foreign Export:** (7(a)) A transaction in which the Borrower sells to a foreign buyer. This definition also includes digital, service, and other intangible transactions in which no physical goods are being shipped.

**Export Finance Manager:** This is the current term for the SBA employee who works at the United States Export Assistance Center. A complete listing of [Export Finance Manager locations and staff](https://www.sba.gov/article/2017/nov/01/list-useacs-sba-staff) contact information is available.

**Export Transaction:** The production and payment associated with a sale of goods or services to a foreign buyer. Eligible transactions include Domestic-to-Foreign Exports, Foreign-to-Foreign Exports, and Indirect Exports.

**Exporter:** (7(a)) A small business concern engaged in or proposing to engage in an eligible Export Transaction.

**Foreign-to-Foreign Export:** A transaction in which the Borrower sells to a foreign buyer, but the goods do not leave a United States port of export. In Foreign-to-Foreign Export transactions, related inventory is ineligible.

**In Margin:** SBA considers a loan to be in margin when the loan availability established per the WCP formula is equal to or greater than the principal balance.

**Indirect Export:** The term “indirect export” applies to situations where, although the Borrower’s direct customer is located in the United States, that customer will be exporting the items/services it purchased from the Borrower to a foreign Buyer. In such cases, the Borrower must provide documentation to the Lender from the Borrower’s domestic customer (typically in the form of a letter, invoice, order, or contract) that the goods or services are in fact being exported.

##### Acronyms

ABL Asset-Based Loans

BBC Borrowing Base Certificate

CFR Code of Federal Regulations

CLSC Commercial Loan Servicing Center

D/OCRM Director, Office of Credit Risk Management

DS Debt Service

EBITDA Earnings before interest, taxes, depreciation, and amortization

EPC Eligible Passive Company

E-Tran Electronic Transmission

EXIM Export-Import Bank of the United States

FTA Fiscal Transfer Agent

GAAP Generally Accepted Accounting Principles

LGPC Loan Guaranty Processing Center

OC Operating Company

OCF Operating Cash Flow

PLP Preferred Lender Program

PLP-WCP Preferred Lender Program Working Capital Pilot Program Delegated Authority

ROBS Rollovers as Business Start-Ups

SBIC Small Business Investment Company

SOP Standard Operating Procedures

WCP Working Capital Pilot Program

##### SBA Communication

**Requests for exceptions to policies:** Lenders may submit a request for an exception to policy via [7aLoanMod@sba.gov](mailto:7aLoanMod@sba.gov). Exceptions to policy will be considered on a case-by-case basis and the decision will apply only to the specific request. Requests may be made before submitting the application to SBA and at any time thereafter.

**Questions** on specific WCP policies may be sent to [7aWCP@sba.gov](mailto:7aWCP@sba.gov). Additionally, SBA’s team of [Export Finance Managers](https://www.sba.gov/article/2017/nov/01/list-useacs-sba-staff) are available to assist with detailed WCP questions, even questions on domestic lines.

**Program Rules:** SOPs, the WCP Program Guide, and relevant notices will be available on SBA's website at <https://www.sba.gov/documents>.

**Export Finance Managers:** A complete listing of [Export Finance Manager locations and staff](https://www.sba.gov/article/2017/nov/01/list-useacs-sba-staff) contact information is available.

**Sign up for SBA communications on WCP:** Lenders, SBA staff, and interested stakeholders may sign up for notification of upcoming training and program updates by either of the following methods, which will create an email that can be sent without any further text entry. This must be done on a device that has a working Microsoft Outlook account:

* Copying the following text into a web browser:

<https://outlook.office365.com/mail/deeplink/compose?mailtouri=mailto%3AOFANotifications%40sba.gov%3Fsubject%3D%2520REQUEST%2520TO%2520SUBSCRIBE%3A%2520OFA%25207(a)%2520Working%2520Capital%2520Pilot%2520Program%2520%26body%3DPlease%2520add%2520me%2520to%2520this%2520newsletter>

* Or, by scanning this quick response code with a smart phone’s camera:

Qr code

