



# SBA Policy Notice

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**TO:** SBA Disaster Employees

**CONTROL NO.:** 5000-857729

**SUBJECT:** Extension and Revision of  
SBA Guidance on COVID EIDL  
Servicing and Liquidation

**EFFECTIVE:** August 5, 2024

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This Notice extends and revises the guidance provided in SBA Policy Notice 5000-840468, “COVID EIDL Servicing and Liquidation” issued on December 12, 2022. The extended and revised guidance is described below.

COVID Economic Injury Disaster Loans (EIDLs) follow SBA’s Standard Operating Procedure 50 52 (2), Disaster Loan Servicing and Liquidation (September 1, 2015), regarding the servicing and liquidation of COVID EIDL loans, to the extent the SOP is not superseded by or in conflict with COVID EIDL specific requirements issued by statute, regulation, or other written guidance. The COVID EIDL Program was authorized by Division A, Title II of the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, Pub. L. 116-123; and section 1110 of the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. 116-136; as amended by section 101 of the Paycheck Protection Program and Health Care Enhancement Act, Pub. L. 116-139, and section 331 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, Pub. L. 116-260.

Given the unique terms and structure of the COVID EIDL product, there was a need to establish specific instructions and requirements for collecting the pertinent documentation and information needed for reviewing and making final decisions to approve or deny different servicing requests. SBA focused on aligning these servicing processes with the loan origination streamlined guidelines that were established while adhering to existing policy and SOP guidance, to the extent possible, with utilization of our existing systems and processes.<sup>1</sup> This Notice, and the memos referenced in this Notice, set forth the special servicing policies and procedures applicable to COVID EIDLs. All other requirements in SOP 50 52 (2) apply to the extent they do not conflict with this Notice, or the memos cited in this Notice.

- A. The Paid in Full (PIF) process** was modified for COVID EIDL to accommodate borrowers. The COVID EIDL Servicing Center (CESC) can send a COVID EIDL-specific PIF letter to the borrower, in place of sending the original note stamped as PIF, after verification that the final payment is posted and cleared. If the loan was secured, the PIF letter will include the filing instructions for the borrower to have the UCC collateral released.

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<sup>1</sup> Revisions and Exceptions to Policy and SOP Requirements for COVID-19 EIDL Servicing Actions / Subordination Request, May 6, 2021; Changes and Exceptions to Policy and SOP Requirements for COVID-19 – EIDL Servicing Actions / Change of Ownership and Assumption Request, October 1, 2020; Changes and Exceptions to Policy and SOP Requirements for COVID-19 – EIDL Servicing Actions / Release of Lien/Collateral Requests, October 1, 2020. Hardship Accommodation Plan August 31, 2023; COVID-19 EIDL Workout Agreements/Changes to Charge-off Process February 7, 2024.

**B. Automatic deferment** of the first payment due date for all COVID EIDLs is 30 months from the date of the note. Borrowers were advised that:

1. Interest will continue to accrue on the loans during the deferment.
2. Borrowers will not receive monthly payment notices (SBA Form 1201) during the deferment period.
3. Borrowers are strongly encouraged to create an account in the MySBA Loan Portal ([lending.sba.gov](https://lending.sba.gov)) to monitor their loan status or to make payments.
4. Borrowers preferring to continue making regular payments during the deferment period may continue remitting payments during the deferment period. SBA will apply those payments normally as if there was no deferment.
5. After the automatic deferment period ends, borrowers will be required to resume making regular principal and interest payments.

**C. Hardship Accommodation Plan (HAP) requests**

1. All loans in repayment, including past due loans, are eligible for a HAP. Loans in default are also eligible unless the loan has been sent to the Treasury Cross-Servicing Program and has not been recalled by SBA.
2. For loans in an amount of \$200,000 or less, to enroll in a HAP, the Borrower must create an account or log in to the MySBA Loan Portal. The HAP consists of 6 months of payments in a minimum amount of 10% of the normal monthly payment amount (with a minimum of \$25), with no documentation or financial analysis required.
3. For loans in an amount greater than \$200,000, a Borrower must email [CovidEIDL Servicing@sba.gov](mailto:CovidEIDL Servicing@sba.gov) (include Hardship Accommodation Plan in the email subject line) or send a message through the MySBA Loan Portal. The Borrower will be required to provide a completed Request for Hardship Accommodation, that includes borrower financial information, signed by all owners and guarantors. The HAP consists of 6 months of payments in a minimum amount of 10% of the normal monthly payment.
4. For loans in a HAP, Borrower may choose to make payments larger than the minimum. Interest will continue to accrue during the HAP, which may increase (or create) a balloon payment due at the end of the loan term. Regular payments will resume and be required after the 6-month HAP relief period, unless Borrower renews the HAP. After the first HAP renewal, subsequent renewals may require different enrollment procedures and higher monthly payment amounts.

**D. Collateral** action processes for loans in Regular Servicing Status were revised as follows.

1. Release of Collateral  
COVID EIDL release of lien/collateral requests also included partial lien release requests in conjunction with the replacement, expansion, or improvements to business assets. Release of lien requests will be reviewed, analyzed, and decided based on the situation and the below requirements.
  - a. Completed request for Release of Collateral, that includes the following information:
    - 1) Business Name
    - 2) Business Type
    - 3) Loan Number

- 4) Indication of Full or Partial release
- 5) Business operating status
- 6) Detailed statement about the need for release
- 7) Information on new Lien, if applicable
- 8) Detailed listing of collateral covered by UCC or other collateral with make/model and real estate, if applicable, with estimated values
- 9) Require a “fully executed” Asset Purchase Contract if selling the collateral
- 10) List of all owners including ownership percentages
- 11) Signatures
- b. Borrower authorization.
- c. Copy of the UCC search indicating SBA’s lien position (Provided by the lender or the requesting party).
- d. If business is closed, copy of dissolution papers or final tax returns.
- e. Proof of insurance as required on Loan Authorization and Agreement.

2. Subordination of Collateral

COVID EIDL subordination requests are typically requested to refinance an existing loan(s) secured by a senior lien with more favorable terms for the borrower OR to accommodate short term financing needed for the borrower (Operating Lines of Credit, Factoring Agreements, Borrowing Base Lines of Credit). Subordination requests will be reviewed, analyzed, and decided based on the situation and the below requirements. Monetary consideration is not a requirement on subordinations to SBA Express, Export Express and 504 Express loans.

- a. Completed request for Subordination, that includes the following information:
  - 1) Detailed statement about the need for subordination
  - 2) Business Name
  - 3) Loan Number
  - 4) Business Type
  - 5) List of all owners including ownership percentages
  - 6) Signatures.
- b. Borrower Authorization
- c. Commitment Letter/Agreement
- d. Information about collateral/lien to be subordinated
  - 1) Identifying information, such as VIN or serial numbers
  - 2) Copy of the UCC search indicating SBA’s lien position
  - 3) Proof of Hazard Insurance.

E. **Assumption** is when there is a change of the legal structure (borrower business changing from Corp. to LLC) or the borrower business is being purchased by another business entity and the assumption is needed to ensure repayment ability. Assumptions will generally be approved if it is due to a change in legal structure with the same ownership (even if the Assumptor was not in operation prior to January 31, 2020), or due to a demonstrated hardship sale of the business. SBA will request and review information regarding Assumptor’s relevant industry experience and likelihood of success in operating the business and repaying the loan.

*(In assumptions, SBA may require a partial or full paydown depending on many factors including the amount of the COVID EIDL, the amount and structure of the consideration paid for the sale of the business, and the circumstances of the business.)*

The Borrower must submit the following, and any follow-up information and documentation requested by SBA.

1. Completed request for Assumption, that includes the following information:
  - a. Business Name
  - b. Business Type
  - c. Loan Number
  - d. Current status of Business
    - 1) List of all owners including ownership percentages
  - e. Other SBA loan information
  - f. Signatures.
2. Purchase agreement (Copy)
3. Detailed letter of request and statement of need
4. Borrower authorization
5. Copies of previous two (2) years federal tax returns for assuming party
6. Most recent YTD profit and loss statement of the assuming party
7. Organizational documents of the assuming party
8. Certificate of Good Standing of the assuming party
9. Proof of insurance as required by Loan Authorization and Agreement

**F. Change in Ownership** involves the same borrower business (LLC or Corp.), but with different individual owners. SBA will consider the request but may not always approve. SBA will review the information provided regarding the new ownership's relevant industry experience and likelihood of success in operating the business and repaying the loan.

*(In change of ownerships, SBA may require a partial or full paydown depending on many factors including the amount of the COVID EIDL, the amount and structure of consideration paid to the exiting ownership, and the circumstances of the business.)*

The Borrower must submit the following, and any follow-up information and documentation requested by SBA.

1. Completed request for Change of Ownership, that includes the following information:
  - a. Business Name
  - b. Business Type
  - c. Loan Number
  - d. Detailed letter of request and statement of need
  - e. List of current and proposed owners including ownership percentages
  - f. Other SBA loan information
  - g. Signatures.
2. Purchase Agreement (Copy)
3. Borrower authorization
4. SBA Form 912
5. Copies of previous two (2) years federal tax returns for business
6. Amended Organizational Documents
7. Status of Business
8. Proof of Insurance as required by Loan Authorization and Agreement.

## Questions

If you have any questions regarding this Notice, please contact the COVID EIDL Servicing Center at [CovidEIDLServicing@sba.gov](mailto:CovidEIDLServicing@sba.gov) or Rob Blocker, Disaster Loan Policy Division Chief at [robert.blocker@sba.gov](mailto:robert.blocker@sba.gov).



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