



# U.S. SMALL BUSINESS ADMINISTRATION

## **SUBSTITUTION OF COLLATERAL** **REQUIREMENTS** **DISASTER INFORMATION**

**For the U.S. Small Business Administration (SBA) to consider a *Substitution of Collateral* request, Full or Partial Release, the below documentation must be provided. Borrowers and/or Guarantors have 30 calendar days to submit a completed packet. Completed packets will be reviewed within 15 business days of receipt by the proper SBA office. Incomplete packets will result in a delay in processing.**

### **ATTENTION:**

This requirements letter is not a commitment by the SBA. Any commitment made by the SBA will be provided separately in writing.

Approval of any request may be conditioned on curing defaults and correcting any collateral deficiencies or issues with loan documents.

**Note:** If SBA is in the process of foreclosing on the real estate used to secure your SBA loan, you must contact the SBA employee in the SBA's National Disaster Loan Resolution Center (NDLRC) named in your foreclosure letter to discuss this matter. As to non-bankrupt borrowers/guarantors in foreclosure, collection efforts currently in process will continue until SBA's NDLRC receives the required documentation and approves your request for assistance in writing. There will be no refunds of any offset(s) by the U.S. Department of Treasury during this period.

Generally, the SBA will only consider a *Substitution of Collateral* in those instances where the SBA's equity position remains the same or is improved and the net proceeds from the sale of any current collateral are applied to the purchase of the proposed substitute collateral.

**GENERAL REQUIREMENTS:** All Borrowers and/or Guarantors are required to provide the following for all applicable sections. **Additional documentation may be required for a thorough analysis.**

### **Provide the Following for All Loan Types:**

1. A signed and dated detailed letter explaining the reasons for the request. Include the address of the property being substituted and the address of the property to be released.
2. A completed, signed, and dated Third-Party Authorization ([Borrower Authorization](#)).
3. A completed, signed, and dated Financial Statement of Debtor ([SBA Form 770](#)). (Unless discharged in bankruptcy)
4. Copies of the filed Federal Income Tax Returns (all schedules) for the last two (2) years. If a current tax return was not filed, submit a copy of your tax extension form and W-2 form(s).
5. A complete legal description of the Substituted property (Warranty Deed).
6. Valuation of collateral: A copy of a recent appraisal (no older than 120 calendar days for Regular Servicing Loans and 365 calendar days for NDLRC Liquidation Servicing Loans) prepared by a real estate appraiser with an active real estate appraiser's license or current tax assessor's value of the property. The required valuation is for property to be *released* and to be *substituted*.

7. Current Title Report/Ownership Encumbrance Report for the collateral offered as the **substitution** and collateral to be **released** as security on this loan dated within 6 months for Regular Servicing and 12 months for Liquidation Servicing.
8. The verified balance(s) of all Prior Liens for the real estate properties and/or business assets to be **substituted** and to be **released** as collateral.
9. Copy of a fully executed purchase contract including all counter offers and addendum (if applicable).
10. Submission of insurance policy's declaration page(s) as proof of Hazard Insurance and Flood Insurance, (Windstorm, if required) on property to be substituted, showing SBA as Mortgagee.
  - a. **Mortgagee Clause:** United States Small Business Administration, an Agency of the government of the United States of America, (Select and enter name and address of applicable center as shown below).
11. If **substituted** property is not within a Special Flood Hazard Area (SFHA), provide written verification (i.e., appraisal, insurance company provided confirmation, and map). If the property is within a Special Flood Hazard Area, you are required to provide Flood Insurance naming SBA as Mortgagee, with coverage amount equal to the insurable value of the property, or the maximum coverage available, whichever is less.
12. Copy of the closing or draft settlement disclosure indicating purchase amount, fees, new lender info, etc. on new property offered as **substitution**, when applicable.
13. Copy of the closing or draft settlement disclosure indicating intended disbursement of sale proceeds on existing SBA collateral property, when applicable.
14. Other documents as may be needed for a full review.

**Provide the Following for Business Loans:**

1. Copies of the latest filed Federal Income Tax Returns (all schedules) for the last two (2) years. (If current tax return was not filed, submit a copy of your tax extension form along with W2 forms).
2. Year-to-Date financial statements including the balance sheet and profit & loss statement current within 90 days.
3. Current Monthly Debt Schedule for business or use SBA [Form 2202](#).

*Please submit the above required information to the US Small Business Administration at your appropriate **Disaster Loan Servicing Center** as shown below.*

*Complete information packages may be E-Mailed, Mailed, Faxed or Uploaded. Please only use ONE option, and follow-up to verify receipt.*

**Birmingham Disaster  
Loan Servicing Center**

2 North 20<sup>th</sup> Street, Suite 320  
Birmingham, AL 35203  
Toll Free Phone: (800) 736-6048  
Fax: (202) 481-0292  
E-mail: [Birminghamdlsc@sba.gov](mailto:Birminghamdlsc@sba.gov)  
[Upload to Birmingham DLSC](#)

**El Paso Disaster  
Loan Servicing Center**

1545 Hawkins Boulevard, Suite 202  
El Paso, TX 79925  
Toll Free Phone: (800) 487-6019  
Fax: (202) 481-5105  
Email: [ElPasoDLSC@sba.gov](mailto:ElPasoDLSC@sba.gov)  
[Upload to El Paso DLSC](#)

**National Disaster  
Loan Resolution Center**

200 West Santa Ana Blvd.Ste.,740  
Santa Ana, CA 92701-4134  
Toll Free Phone: (855) 788-3154  
Fax: (Liquidation) (714) 569-1630  
Email: [NDLRC.Packages@sba.gov](mailto:NDLRC.Packages@sba.gov)  
[Upload to Santa Ana NDLRC](#)