



SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1268

SUBJECT: Revolving Lines of Credit Processed through E-Tran

EFFECTIVE: 02/14/13

The purpose of this notice is to provide notification that SBA has identified a coding error made by lenders in the processing of Revolving Lines of Credit (RLOCs) through E-Tran. SBA has recently become aware that many loans approved as RLOCs were mistakenly identified by lenders as term loans in E-Tran during the origination of the loan.

SBA policy on term loans states “the loan must be fully disbursed within 48 months of approval or any remaining undisbursed balance will be cancelled by SBA.” (SOP 50 10 5(E), Subpart B, Chapter 7, Paragraph IV.A.1.) For purposes of this policy, SBA treats a RLOC as fully disbursed when the initial disbursement is made. However, for any RLOCs erroneously coded in E-Tran as a term loan, any funds showing as undisbursed more than 48 months after approval are automatically cancelled. This has the effect of reducing the loan approval amount and results in an error on the lender’s 1502 report.

To prevent such errors, all lenders are strongly encouraged to review their SBA loan portfolio via E-Tran, especially those loans that were approved as RLOCs under the Recovery Act or Jobs Act, to ensure that they are appropriately coded in E-Tran. **If E-Tran shows the RLOC was incorrectly coded as a term loan, the lender needs to correct the error immediately** by selecting the box next to the indicator that reads “Is this a Revolving Line of Credit?” The lender must be sure to “Save” any changes it makes.

(You may select more than one box)

<input type="checkbox"/>	Will the loan be used for Construction?
<input checked="" type="checkbox"/>	Does the Primary Borrower currently do any exporting or will the Primary Borrower start exporting pursuant to this loan?
<input type="checkbox"/>	Does the Primary Borrower currently do any international trade or will the Primary Borrower start international trade pursuant to this loan?
<input type="checkbox"/>	No special purposes apply
<input checked="" type="checkbox"/>	Is this a Revolving Line of Credit?

If it has been more than 48 months since a RLOC was approved and E-Tran shows the RLOC was incorrectly coded as a term loan, there is a strong possibility that undisbursed funds may have been cancelled. Therefore, lenders with miscoded RLOCs that were approved more than 48 months ago are also strongly encouraged to review the Approval Amount in E-Tran to ensure it is correct. If the Approval Amount has been reduced, the lender should notify the appropriate Commercial Loan Servicing Center of the error and submit a request for the approval amount to be corrected. Lenders who have received 1502 error codes on RLOCs, specifically error codes **1042** (*Outstanding Balance plus Total Amount Undisbursed cannot exceed Current Loan Approval Amount*) or **1196** (*Outstanding Balance must be less than or Equal to Current Loan Approval Amount*), should be especially vigilant, as these error codes often indicate an RLOC was miscoded as a term loan and was subject to the automatic cancellation of undisbursed funds.

Due to the expiration of Recovery Act and Jobs Act funds, SBA will not be able to reinstate funds cancelled as a result of a miscoding if the loan was funded with appropriations from those statutes. To prevent the possible cancellation of funds, all lenders are strongly encouraged to immediately review their SBA loan portfolio via E-Tran and correct any miscoding errors.

EXPIRES: 02/01/14

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SBA Form 1353.3 (4-93) MS Word Edition; previous editions obsolete
Must be accompanied by SBA Form 58

SBA Field Offices will advise 7(a) lenders of this Notice. Questions concerning this Notice should be directed to the lender relations specialist in the local SBA field office. The local SBA field office may be found at www.sba.gov/localresources.

John A. Miller
Director
Office of Financial Program Operations