



SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1311

SUBJECT: SBA Approval of Recoverable Expenses on 7(a) Loans

EFFECTIVE: April 7, 2014

SBA is announcing a change to Standard Operating Procedure (SOP) 50 57 (7(a) *Loan Servicing and Liquidation*), which modifies the time periods when lenders may submit requests for approval of Recoverable Expenses, including those deducted from recoveries, on 7(a) Loans.

Effective with the date of this notice, such requests may only be submitted:

- 1. With the Lender's Purchase Package, or**
- 2. With the Lender's Wrap-up Report.**

Previously, lenders were permitted to submit Recoverable Expense requests after guaranty purchase when aggregate expenses totaled \$5,000 or more, in addition to the two times referenced above. SBA is eliminating this option to streamline operations as part of its continuing effort to provide its lending partners with a high level of customer service and faster response times on all lender requests, including guaranty purchase requests. (Attached to this Notice are two versions of change pages to SOP 50 57 implementing this change. One version incorporates the changes and the second version tracks the changes.)

Lenders should continue to use the Care and Preservation of Collateral (CPC) Tabs, located at <http://www.sba.gov/content/care-and-preservation-collateral-cpc-tabs>, when submitting Recoverable Expense requests with the Purchase Package or Wrap-up Report. **Lenders that have already submitted Recoverable Expense requests on loans that are not ready for Wrap-Up will not have to resubmit their requests with the Wrap-up Report, unless the information previously submitted was incomplete.**

Questions regarding this Notice should be directed to the Office of Financial Program Operations at sop5057@sba.gov.

John A. Miller
Director
Office of Financial Program Operations

Attachments

EXPIRES: April 1, 2015

PAGE 1 of 3

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

SBA Review and Approval

Any cost, fee or other amount that a Lender seeks to treat as a Recoverable Expense must be reviewed and approved by SBA including expenses that the Lender has already deducted from recoveries. Requests for approval must be submitted to SBA in accordance with the following requirements:

1. Where to Submit Requests

Requests must be submitted to the appropriate SBA Loan Center.

Preferred Format

To expedite the SBA review process, Lenders should utilize the tab system recommended by the appropriate SBA Loan Center to organize and submit their requests. (See, for example, the [NGPC CPC tab system](#).)

When Requests May be Submitted

To prevent backlogs and expedite the SBA review process, requests for reimbursement or for approval of Recoverable Expenses deducted from recoveries may only be submitted at the following times:

a. Submission of Loan Guaranty Purchase Request

Requests for SBA reimbursement of Recoverable Expenses or approval of expenses paid for from recoveries may be submitted with the Lender's Purchase Package.

Submission of Wrap-up Report

All remaining requests for SBA reimbursement of Recoverable Expenses or approval of expenses paid for from recoveries must be submitted with the Lender's Wrap-up Report on the loan.

Multiple Loans—Allocation of Expenses

When a request involves multiple loans to the same Borrower, (either SBA loans with different guaranty percentages or non-SBA loans):

- a. If the expense is related to collateral, the expense (as well as any recovery) must be allocated to the loans according to the priority of the lien securing each loan;

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3. When Requests May be Submitted

To prevent backlogs and expedite the SBA review process, requests for reimbursement or for approval of Recoverable Expenses deducted from recoveries may only be submitted at the following times:

a. Submission of Loan Guaranty Purchase Request

Requests for SBA reimbursement of Recoverable Expenses or approval of expenses paid for from recoveries may be submitted with the Lender's Purchase Package.

~~b. When Recoverable Expenses Total \$5,000 or More Per Loan~~

~~Requests involving Recoverable Expenses totaling \$5,000 or more per loan may be submitted at any time after guaranty purchase. A request involving a Recoverable Expense that is less than \$5,000 must be compiled with other expense requests involving the same loan, and can only be submitted when the aggregate amount totals \$5,000 or more, or at the time the Wrap-up Report on the loan is submitted, whichever occurs first.~~

~~c.b.~~ Submission of Wrap-up Report

All outstanding remaining requests for SBA reimbursement of Recoverable Expenses or approval of expenses paid for from recoveries must be submitted with the Lender's Wrap-up Report on the loan.

4. Multiple Loans—Allocation of Expenses

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