



# Servicing and Liquidation Actions

## 7(a) Lender Matrix

Use E-Tran	Unilateral Actions Notify SBA?		Requires prior SBA Approval	Form 2237 <sup>9</sup>
	Yes	No		

**Prior to Initial Disbursement - Loans in Approval Status**

*See SOP 50 10 5, Subpart B*

Increase / decrease loan amount				X	X
Increase / decrease guaranty percentage				X	X
Change initial disbursement date		X			
Change maturity date	X	X			X
Change interest rate after loan approved <sup>1</sup>		Not permitted			
Other changes to loan authorization					
Loan submitted and approved under a delegated authority <sup>2</sup>		X			
Loan approved by the Standard 7(a) Loan Processing Center				X	
Change EIN or SSN, legal/trade name of business or borrower's address		X			X
Cancel loan	X	X			X

**Actions after Initial Disbursement - Loans in Servicing or Liquidation Status**

*See SOP 50 50, SOP 50 51 and 13 CFR 120.535 and 120.536*

SBA Approval Required	Increase / decrease SBA's guaranty percentage				X	
	Confer preference <sup>3</sup> on lender or engage in activity that creates conflict of interest				X	
	Compromise / release borrower or guarantor (except compromise of interest only)				X	
	Assumption of loan with release of original borrower / guarantor				X	
	Take title to any property in the name of SBA				X	
	Take title to environmentally contaminated property, or take over operation and control of a business that handles hazardous substances or hazardous wastes				X	
	Emergency purchase from secondary market				X	
	Determination of involuntary prepayment / subsidy recoupment fee				X	
	Reinstatement of SBA guaranty				X	
	Increase principal loan amount				X	X
SBA Notification Required	Transfer or sell <b>more than 90%</b> of a loan				X	
	Transfer or sell <b>90% or less</b> of a loan		X			
	Decrease principal loan amount		X			X
	Extend final disbursement date		X			X
	Cancellation of SBA guaranty before guaranty purchase		X			
	Extend maturity (action done prior to stated maturity) <sup>4,5</sup>	X	X			X
	Reamortize / restructure loan <sup>5</sup>		X			
	Change interest rate within loan program guidelines <sup>1,5</sup>		X			
	Change EIN or SSN, legal/trade name of business or borrower's address		X			X
	Transfer loan into liquidation status		X			
Return loan to regular servicing status		X				
Change a loan to PIF status		X				
Assumption of loan without release of original borrower / guarantor		X				
Change loan from revolver to non-revolver	X	X				



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		Yes	No		
<b>No Approval or Notification</b>			X		
	Change in borrower's legal structure <sup>6</sup>		X		
	Subordinate / release lien		X		
	Defer payments <sup>5</sup>		X		
	Release / substitute collateral		X		
	Accept prepayments (subsidy recoupment fee may apply)		X		
	Changes to loan authorization		X		
	Correct typographical errors in loan documents		X		
	Make loan that does not adversely affect collateral position of SBA guaranteed loan		X		
Change flood, life or hazard insurance requirements <sup>7</sup>		X			

### Liquidation Actions

Liquidation plans and amendments for loans approved under CLP procedures (liquidation plans are <i>encouraged</i> for other loans as an aid to recovery)				X	
Sale of collateral to associates of lender				X	
Private sale of collateral to associates of borrower				X	
Public, private or negotiated sale of collateral (other than those above)			X		
Initiate foreclosure proceeding <sup>8</sup>			X		
Obtain Phase I or Phase II environmental audit (may be needed for possible acquisition of property or other reason)			X		
Deed in lieu of foreclosure that will not prevent recovery from borrower / guarantors			X		
Enter protective bid at foreclosure sale			X		
Purchase or pay prior lien			X		
Site visit			X		
Obtain current appraisal			X		
Pay real estate taxes			X		
Hire auctioneer or appraiser			X		
Postpone liquidation action if necessary			X		
Abandon collateral when justified			X		

### Litigation Actions

Litigation plan and budget (for routine litigation <sup>9</sup> and legal fees under \$10,000)			X		
Litigation plan and budget (if legal fees exceed \$10,000 or non-routine litigation <sup>10</sup> ; or if routine litigation becomes non-routine)				X	
Amendments to litigation plans where material changes arise that were not addressed in the original plan				X	
Any amendments to an approved litigation plan if fees increase by more than 15%				X	



# Servicing and Liquidation Actions

## 7(a) Lender Matrix

### Lender Documentation

SBA values the diligence of its 7(a) lenders in diligently servicing and maximizing recoveries on defaulted loans while addressing borrower needs. SBA has substantially shortened the list of actions requiring prior SBA approval and standardized them across lending programs where possible in order to assist lenders in taking prompt and responsible servicing and recovery actions.

Lenders must document the business reason and justification for their decisions and retain these and supporting documents in the loan file for future SBA review to determine if the actions taken were prudent, commercially reasonable (consistent with generally accepted commercial lending practices) and complied with applicable Loan Program Requirements. When taking action that falls within a lender's unilateral authority, the lender is encouraged to notate the loan file with a statement such as, "This action was taken under the lender's unilateral authority."

When submitting an action that requires notification to SBA, you will receive an acknowledgment from the servicing center that your action was received. This will be the only communication you will receive under the streamlined process for handling unilateral actions. Approvals for unilateral actions are no longer issued by the servicing centers. It is very important that lenders notify SBA of all unilateral actions where SBA notification is required so SBA's loan database can be updated. This is critical for secondary market sales.

### Lender Reporting after Guaranty Purchase (Liquidation Status Reports)

- (1) Lenders must submit a loan status report within 15 business days of purchase by SBA from the secondary market. The report should address the status of the borrower, guarantors, collateral, workout or restructuring plans, liquidation activities including sale of collateral, foreclosures and litigation. The report should be accompanied by documentation needed for SBA to conduct a post-purchase review.
- (2) Quarterly after guaranty purchase by SBA (from the secondary market or directly from the lender), lenders must submit a liquidation status report addressing the issues in (1) above.
- (3) Lenders must submit a wrap-up report for each loan once all requirements for collection and liquidation are satisfied, and further recovery actions are not cost-effective. Lenders must notify SBA if they will continue recovery actions since loans cannot be sent to Treasury for further collection if the lender is still servicing the loan. The suggested wrap-up format can be found at:  
[http://www.sba.gov/idc/groups/public/documents/sba\\_program\\_office/bank\\_wrapup\\_report.pdf](http://www.sba.gov/idc/groups/public/documents/sba_program_office/bank_wrapup_report.pdf)

Lenders should direct their actions, requests and questions to the following email addresses:

#### National Guaranty Purchase Center

- General liquidation actions and questions: [loanresolution@sba.gov](mailto:loanresolution@sba.gov)
- Expense reimbursement submission and questions: [sbacpc@sba.gov](mailto:sbacpc@sba.gov)
- Wrap up submission and questions: [sbachargeoff@sba.gov](mailto:sbachargeoff@sba.gov)
- General purchase questions: [sbapurchase@sba.gov](mailto:sbapurchase@sba.gov)
- Questions regarding inprocess purchases: [purchasestatus@sba.gov](mailto:purchasestatus@sba.gov)
- Secondary market questions: [secondarymarketliq@sba.gov](mailto:secondarymarketliq@sba.gov)

Please visit the National Guaranty Purchase Center Website for all Liquidation and Purchase (non-SBAExpress) related questions at:  
<http://www.sba.gov/aboutsba/sbaprograms/clending/ngpc/index.html>

#### Commercial Loan Service Centers

Lenders should direct their servicing action/request and SBA Form 2237 checklist to:

- [Fresno Service Center at fsc.servicing@sba.gov](mailto:fsc.servicing@sba.gov)
- [Little Rock Service Center at lrservicing@sba.gov](mailto:lrservicing@sba.gov)

Please visit the Commercial Loan Service Centers' Website for all Servicing and SBAExpress Purchase related questions at:  
<http://www.sba.gov/aboutsba/sbaprograms/elending/clc/index.html>

Lenders may contact their District Office Lender Relations Specialists or Brand Managers if they have questions regarding the use of this matrix.  
 For the most recent version of this handy guide, [click here!](#)



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## 7(a) Lender Matrix

### Footnotes

- <sup>1</sup> SOP 50 10 5 states the following about interest rate changes: "SBA does not permit a lender to alter the initial interest rate between the time an application is received and the first calendar day of the first adjustment period after initial disbursement." After the first adjustment period the lender may modify the interest rate on the note as a servicing action as long as: 1) the change in the interest rate is agreed to by the borrower in writing; 2) the new interest rate is based on a methodology permitted when the loan was approved; and 3) the new interest rate is within the maximums identified by SBA for the particular 7(a) program at the time the loan was approved. In other words, if SBA changes the permissible maximum interest rates for a particular 7(a) program, the changes affect only those loans approved on or after the change has been implemented.
- <sup>2</sup> After closing a PLP loan, the lender must send to the appropriate CLSC a copy of the executed Authorization, including any modifications. (SOP 50 10 5, subpart B, chapter 7)
- <sup>3</sup> Lenders are reminded not to engage in any action that could create a preference. (See definition in 13 CFR 120.10 - "Preference is any arrangement giving a Lender or a CDC a preferred position compared to SBA relating to the making, servicing, or liquidation of a business loan with respect to such things as repayment, collateral, guarantees, control, maintenance of a compensating balance, purchase of a certificate of deposit or acceptance of a separate or companion loan, without SBA's consent.") Especially problematic would be a lender's actions in connection with a non-monetary default on its own loan that may adversely affect an SBA guaranteed loan to the same borrower.
- <sup>4</sup> Lender's purchase demand must be made within 180 days after stated maturity or completion of liquidation / litigation actions or SBA's guaranty may be cancelled.
- <sup>5</sup> For loans that have been sold in the secondary market, any payment modifications, interest rate changes, extensions of maturity and deferments over 90 days (cumulative) must have investor approval. Lenders should send these servicing requests directly to Colson, with notification to SBA (except SBA notification is not required for deferments).
- <sup>6</sup> SBA must be notified if a change in borrower legal structure involves changing legal name, trade name, EIN or SSN.
- <sup>7</sup> SBA considers it to be a prudent lending practice for lenders to maintain insurance on worthwhile collateral.
- <sup>8</sup> If the foreclosure proceeding is considered non-routine or will exceed a budget of \$10,000, then the lender must submit a litigation plan to SBA.
- <sup>9</sup> Routine litigation means uncontested litigation (such as non-adversarial matters in bankruptcy and undisputed foreclosure actions) having estimated legal fees not exceeding \$10,000. If you anticipate that your legal budget will exceed \$10,000, or that issues may arise that are non-routine, please provide SBA with an amended or updated litigation plan and budget via the [loanresolution@sba.gov](mailto:loanresolution@sba.gov) in-box. Lenders should consult additional litigation requirements in SBA's regulations at 13 CFR 120.540. Lenders are cautioned not to incur legal fees or other costs on loans where recovery cannot reasonably be expected.
- <sup>10</sup> Non-routine litigation includes:
  - (1) All litigation where factual or legal issues are in dispute and require resolution through adjudication
  - (2) Any litigation where legal fees are estimated to exceed \$10,000
  - (3) Any litigation involving a loan where a lender has an actual or potential conflict of interest with SBA
  - (4) Any litigation involving a 7(a) loan where the lender has made a separate loan to the same borrower which is not a 7(a) loan.
- <sup>11</sup> [For the most recent version of SBA Form 2237, click here.](#)