



# Servicing and Liquidation Actions

## 7(a) Lender Matrix

*Please see Footnotes at end of document. All lender actions must comply with SBA loan program requirements.*

	Use E-Trau	Unilateral Actions Notify SBA?		Requires prior SBA Approval	Form 2237 <sup>12</sup>	
		Yes	No			
<b>Approved Loans Prior to Initial Disbursement - See SOP 50 10 5, Subpart B</b>						
Increase loan amount or SBA's guaranty percentage				X	X	
Decrease loan amount	X	X			X	
Change initial disbursement date		X				
Change maturity date	X	X			X	
Change interest rate <sup>1</sup>		Not permitted				
Other changes to loan authorization, including changes to use of proceeds:						
Loan submitted and approved under delegated authority <sup>2</sup>			X			
Loan approved by the Standard 7(a) Loan Guaranty Processing Center				X		
Change EIN or SSN		X				
Change borrower's address or legal/trade name of business	X	X			X	
Cancel loan	X	X			X	
<b>Actions after Initial Disbursement - Loans in Servicing or Liquidation Status</b>						
<i>See SOP 50 50, SOP 50 51 and 13 CFR 120.535 and 120.536</i>						
SBA Approval Required	Increase loan amount or SBA's guaranty percentage				X	
	Confer preference <sup>3</sup> on lender or engage in activity that creates conflict of interest				X	
	Release borrower or guarantor				X	
	Compromise principal balance owed <sup>4</sup>				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	
	Extraordinary servicing fee per 13 CFR 120.221(b)				X	
	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 loan amount or SBA's guaranty percentage		X			X
SBA Notification Required	Extend final disbursement date		X		X	
	Cancellation of SBA guaranty before guaranty purchase	X	X			
	Extend maturity (action done prior to stated maturity) <sup>5,6</sup>	X	X		X	
	Reamortize / restructure loan <sup>6</sup>		X			
	Change interest rate <u>within loan program guidelines</u> <sup>1,6</sup>		X			
	Change EIN or SSN		X			
	Change borrower's address or legal/trade name of business	X	X		X	
	Transfer loan into liquidation status		X			
	Return loan to regular servicing status		X			
	Change a loan to PIF status	X	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		
No Approval or Notification			X		
	Change in borrower's legal structure <sup>7</sup>		X		
	Subordinate / release lien		X		
	Defer payments <sup>8</sup>		X		
	Release / substitute collateral		X		
	Accept prepayments (subsidy recoupment fee may apply)		X		
	Changes to loan authorization, including changes to use of proceeds		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>8</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>9</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>10</sup> and legal fees under \$10,000)			X		
Litigation plan and budget (if legal fees exceed \$10,000 or non-routine litigation <sup>11</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	



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## 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. If an action requires that a fee be paid to SBA (such as for an increase to a loan amount or extension of maturity of a short term loan to over 12 months), SBA strongly encourages the lender to remit the fee to SBA using [www.pay.gov](http://www.pay.gov).

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 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. Acknowledgments for unilateral actions are no longer issued by the servicing centers or district offices. 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. *If lender notifies SBA by E-Tran of a change, a separate notification to the center is not necessary.*

### 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/elending/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 [lrrsc.servicing@sba.gov](mailto:lrrsc.servicing@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 matrix, [click here!](#)



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## Footnotes

- <sup>1</sup> SBA defines a fixed rate loan as one that bears the same interest rate for the entire term of the loan. SOP 50 10 5 states the following about changes to variable interest rate loans: "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 so long as: (1) the change does not convert the loan from a fixed rate to a variable rate, or from a variable rate to a fixed rate [Note: When a lender "fixes" the interest rate on a variable rate loan (such as when a lender modifies the rate prior to a secondary market sale so the rate does not fluctuate, or as part of a workout), the loan does not become a "fixed rate loan" but continues to be a variable rate loan with a modified adjustment period, and the maximum interest rates are those for a variable rate loan.]; (2) the change in the interest rate is agreed to by the borrower in writing; (3) the new interest rate is based on a method permitted when the loan was approved; and (4) the new interest rate is within the maximums identified by SBA for the particular 7(a) program at the time the loan was approved. If SBA changes the permissible maximum interest rates for a specific 7(a) program, the new rates apply only to loans approved on or after the effective date of the change. SBA notification of change in interest rate is required only if loan is to be sold in secondary market.
- <sup>2</sup> After closing a PLP loan, the lender must send to the appropriate commercial loan servicing center (Fresno or Little Rock) 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> Compromise with borrower or guarantor of all or a portion of accrued interest is permitted as a unilateral action.
- <sup>5</sup> Lender's purchase demand must be made within 180 days after loan maturity or completion of liquidation / litigation actions, or SBA's guaranty may be cancelled.
- <sup>6</sup> For loans that have been sold in the secondary market, any payment modifications, interest rate changes, extensions of maturity, transfers of loans from one participant to another, 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). Lenders are also reminded that requests for extensions of maturity on short-term loans (less than a year) must be accompanied by the additional guaranty fee owed or an explanation that the extension is solely for purposes of orderly repayment (subject to determination by SBA).
- <sup>7</sup> SBA must be notified if a change in borrower legal structure involves changing legal name, trade name, EIN or SSN.
- <sup>8</sup> SBA considers it to be a prudent lending practice for lenders to maintain insurance on worthwhile collateral.
- <sup>9</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>10</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>11</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>12</sup> [For the most recent version of SBA Form 2237, click here.](#)