

SUBORDINATION

In order for the Small Business Administration (SBA) to consider your request for Subordination on Real Property/Business Assets held as collateral, **please provide the following required information as itemized below.**

ATTENTION:

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

The SBA will consider subordination requests to accommodate the refinance of superior liens upon favorable fixed interest rates with reasonable and customary closing costs and no more than (3) month's escrow funds on conventional loans. Under most circumstances, SBA will not entertain a request to MOVE from SENIOR lien position to a JUNIOR lien position without monetary consideration, which may include a substantial pay down of the SBA's loan balance (if you need further clarification, please contact the Loan Specialist).

The SBA will not entertain any request for "Cash Out" subordination in any amount intended for: Construction Loan, Home Equity – Line of Credit, Debt Consolidation, etc., WITHOUT a substantial pay down on the current SBA loan balance. This pay down is NOT counted towards your regular monthly payment(s), as it will be posted as a principal reduction against the loan balance. Regular monthly payments are not automatically re-amortized; you must qualify for payment reduction.

All loans must reflect current status or be brought current before the SBA will process a servicing action. Approval of any request may be conditioned on curing defaults and correcting any collateral deficiencies or issues with loan documents. Servicing actions cannot be approved without proof of insurance coverage showing the SBA as mortgagee as stated below. Once complete package is received, the SBA will have a response to your request within 30 business days. Any incomplete packages are subject to delays and/or may be returned unprocessed. Additional documentation may be required for thorough analysis.

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.

GENERAL REQUIREMENTS (For All Loan Types):

1. A detailed letter from the borrower(s) and/or guarantors (if any) signed and dated with the reason for the subordination and how the money will be used. The letter must contain a statement authorizing SBA to speak with third parties involved. If monetary consideration is being offered to pay down the loan balance, include the amount being offered and source of funds. Letter should include name, address and telephone number of the closing attorney/escrow agent.
2. Letter to SBA, **signed** by the lender/broker, which includes the following information:
 - a. Borrower(s) Name, SBA Loan Number and address of property being refinanced
 - b. New loan amount (**Please make sure the loan amount you provide is accurate as this amount is typed in the Subordination Agreement**).
 - c. Name, address, escrow no., contact and telephone number of the escrow/title company where the Subordination Agreement and Terms & Conditions letter are to be sent.
3. Completed [Subordination Worksheet](#) by lender/broker.
4. Copy of the loan application (must include new **interest rate and term** of the loan)
5. Valuation of collateral: A copy of a recent appraisal (no older than 120 calendar days) prepared by a real estate appraiser with an active real estate appraiser's license.
6. Title report/ownership encumbrance report: (current within 120 calendar days) for collateral being subordinated.
7. Current payoff statements of all senior lien(s) ahead of SBA on collateral being subordinated.
8. Copy of the closing or draft settlement disclosure.

9. Submission of insurance policy's declaration page(s) as proof of Hazard Insurance and Flood Insurance on property to be substituted, showing SBA as Mortgagee. 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 per below):
 - Birmingham DLSC – 801 Tom Martin Drive, Suite #120, Birmingham, AL 35211
 - El Paso DLSC - 10737 Gateway West, Suite #300, El Paso, TX 79935
 - Santa Ana NDLRC - 200 W Santa Ana Blvd, Suite #180, Santa Ana, CA 92701
10. If the property to be subordinated is not within a Special Flood Hazard Area (SFHA), provide written verification (i.e. appraisal, insurance company provided confirmation and map). If property is within a Special Flood Hazard Area, you will be mandated 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.
11. Completed, signed and dated Financial Statement of Debtor ([SBA Form 770](#)). The request will be withdrawn if these forms are incomplete.
12. Completed, signed and dated Borrower's Consent to Verify Information and 3rd Party Authorization ([Birmingham Form](#), [El Paso Form](#), [Santa Ana Form](#)).
13. Copies of 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 and W-2 form(s).

Additional requirements for business loans:

1. Copies of latest 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).
2. Year-to-Date financial statements - balance sheet and profit & loss statement **current within 90 days**.
3. Current Monthly Debt Schedule for business, or use [SBA Form 2202](#).

Packages can be electronically uploaded or sent via regular mail:

(1) Electronic upload:

- a. [Upload to Birmingham DLSC](#)
- b. [Upload to El Paso DLSC](#)
- c. [Upload to Santa Ana NDLRC](#)

(2) Regular mail: Mail to the appropriate center:

- a. US SBA, Birmingham DLSC – 801 Tom Martin Drive, Suite #120, Birmingham, AL 35211
- b. US SBA, El Paso DLSC - 10737 Gateway West, Suite #300, El Paso, TX 79935
- c. US SBA, Santa Ana NDLRC - 200 W Santa Ana Blvd, Suite #180, Santa Ana, CA 92701