

SUBSTITUTION OF COLLATERAL

In order for the Small Business Administration (SBA) to consider your request for Substitution of 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.

Generally, the SBA will only consider a Substitution of Collateral in those instances where the SBA's equity position remains the same or is better. The ENTIRE net sale proceeds to include any earnest money MUST be held in escrow, failure to place ALL net sale proceeds in escrow may jeopardize your request for a Substitution of Collateral.

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 guarantor(s) (if any) signed and dated explaining the reasons for the request. Include the address of the property being substituted and the address of the property to be released.
2. Completed, signed and dated Consent to Verify Information and 3rd Party Authorization ([Birmingham Form](#), [El Paso Form](#), [Santa Ana Form](#)) for all borrower(s) and/or guarantor(s) (if any).
3. Completed, signed and dated Financial Statement of Debtor ([SBA Form 770](#)) for all borrower(s) and/or guarantor(s) (if any). The request will be withdrawn if the form is incomplete.
4. 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).
5. A complete legal description of the Substituted property (Warranty Deed).
6. 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. The required valuation is for property to be **RELEASED** and to be **SUBSTITUTED**.
7. Current Title Report/Ownership Encumbrance Report of the collateral offered as the **Substitution** and collateral to be **released** as security on this loan dated within 6 months.
8. The verified balance(s) of any and ALL Prior Liens superior to SBA's position (please include payoff statement from lien holders); for the real estate properties and/or business assets to be **SUBSTITUTED** and to be **RELEASED** as collateral. If there are liens outstanding that have been satisfied, please provide a paid in full (zero balance) statement from the lender or a copy of the release document.
9. Copy of a fully executed purchase contract including all counter offers and addendums (if applicable).
10. 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 is: 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

11. If NEW property 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.
12. Copy of the closing or draft settlement disclosure indicating PURCHASE amount, fees, new lender info, etc. (if applicable) **on NEW property offered as substitution.**
13. Copy of the closing or draft settlement disclosure indicating intended disbursement of SALE proceeds (if applicable) **on EXISTING (SBA's collateral) property.**

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