



SBA Information Notice

TO: All Employees

CONTROL NO.: 5000-1077

SUBJECT: Participating Lenders'
Administration of SBA-Guaranteed
Loans

EFFECTIVE: 10/16/2008

The U.S. Small Business Administration's fundamental mission and mandate is to aid, counsel, and protect the interests and well being of America's small business community in the furtherance of the Nation's free enterprise system. This becomes a particularly important mandate during periods of economic uncertainty. It is within this context that the Agency is reemphasizing certain critical SBA loan policy tenets to its field staff and its lending partners.

While the Agency expects its participating lenders to prudently manage and administer their SBA loan portfolios, SBA encourages its participating lenders to do so with a regard and sensitivity to the viability and success of the small business borrower. Thus, while SBA recognizes that during a period of economic uncertainty, some lenders may be inclined to take a more aggressive approach to managing their SBA loan portfolios, the Agency would remind its participating lenders that such aggressive measures may undermine SBA's ability to further its mission of aiding and assisting America's small business community and may contribute to further uncertainty for small businesses and our economy.

For example, SBA has recently received inquiries from lenders about the Agency's policy regarding changing the terms and conditions or "calling" broad numbers of SBA loans due to changing financial variables often unrelated to the operation of the business, such as personal credit scores, declining collateral values, reduced home equity, etc. As a result, the Agency is issuing this notice to encourage its participating lenders to not call broad segments of their SBA loan portfolios based only on changing financial factors or variables unrelated to the operation of the business, such as changes in personal credit scores. This also applies to marginal changes in financial or operating factors (such as financial or operating ratios) related to the condition or operation of the business, particularly if those factors or conditions have not been specified in writing and accepted by the borrower at loan closing. SBA thus encourages and expects its participating lenders to approach their SBA loans on an individual basis rather than unilaterally restructuring broad segments of their SBA portfolios.

While this applies to all lending in SBA's 7(a), 504, and Microloan programs, it is particularly relevant and of concern with respect to SBA Express and Pilot Loan Program loans (Patriot Express, Export Express and Community Express), where lenders use their own loan notes as opposed to the SBA Note (SBA Form 147). Under SBA Express and the Pilot Loan Programs, the Agency recognizes that certain revolving loans will have periodic "clean up" requirements or may be renewed by the lender on an annual or other basis. SBA also recognizes that some SBA Express or Pilot Loan Program term loans may include requirements or conditions that the borrower must conform to or the loan may be "called" by the lender. These conditions or

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PAGE 1 of 2

SBA Form 1353.1 (12-93) MS Word Edition; previous editions obsolete
Must be accompanied by SBA Form 58

requirements, however, must be specified in writing and accepted by the borrower at loan closing, and they must be substantive, not “technical” in nature. While such conditions may be allowed, the Agency strongly encourages lenders to make every effort to work with their SBA borrowers on an individual basis in order to facilitate the longer term success of that small business.

Questions regarding this notice may be forwarded to gail.hepler@sba.gov or charles.thomas@sba.gov.

Grady B. Hedgespeth
Director, Office of
Financial Assistance