



FAQs Payment Modifications

1. *What types of payment modifications are available in connection with an SBA guaranteed loan?*

- Temporary/permanent reduction of interest.
- Defer payments and/or principal only.
- Extend Maturity Date to reduce payments.
- Temporary Reduction of Payments.
- Re-amortize loan payments.

2. *What provisions of SBA's SOP address these payment modifications?*

Standard Operation Procedure 50-50-4, Chapter 5, paragraphs 8(a), 15(a), 16(a), 17 as well as Chapter 7, Paragraphs 5(b) – 5(h).

3. *Can payment modifications be made to loans sold on the Secondary Market?*

Any modifications to the rate and term on a SBA loan that is sold on the Secondary Market must have investor approval.

4. *Does SBA have to approve these payment modifications?*

No. All of the foregoing payment modifications can be approved under your delegated, unilateral authority. So, you may proceed without SBA approval. However, you must document your file.

5. *Are there some servicing actions that must receive prior approval by SBA?*

Yes. Title 13 of the Code of Federal Regulations §120.536 lists the following servicing actions that require SBA's prior written consent:

- Increases to the principal amount of a loan above that authorized by SBA at loan origination.
- Any action that confers a Preference on the Lender or CDC or engages in an activity that creates a conflict of interest.
- Compromises on the principal balance of a loan.
- Taking title to any property in the name of SBA.
- Taking title to environmentally contaminated property, or taking over operation and control of a business that handles hazardous substances or hazardous wastes.
- Transfers, sells or pledges of more than 90% of a loan.
- Any action for which prior written consent is required by a Loan Program Requirement.

6. *Are there some actions that the lender can take unilaterally first and then tell SBA after the fact?*

Yes, the following unilateral actions may be taken unilaterally but the lender must also notify SBA so SBA may update its accounting records:

- Loan cancellations.
- Decrease in loan amount.
- Changes of maturity.
- Changes of business name and address.
- Extensions of disbursement periods.
- Notice of prepayment.