



# SBA Information Notice

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**TO:** All SBA Employees

**CONTROL NO.:** 5000-1262

**SUBJECT:** Issuance of SOP 50 57, 7(a) Loan Servicing and Liquidation

**EFFECTIVE:** 3/1/2013

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The Office of Capital Access announces the issuance of SOP 50 57 effective March 1, 2013. The new SOP, which is designed for easy use by lenders and dedicated solely to 7(a) loan servicing and liquidation, is part of the Agency's ongoing efforts to modernize and simplify its loan program requirements.

Consistent with the changes made to SBA's loan servicing and liquidation regulations in 2007, SOP 50 57 recognizes that national and state-chartered lenders may use their own loan servicing and liquidation procedures as long as they comply with prudent lending practices and SBA loan program requirements.

Unlike previous SOPs, SOP 50 57 covers both loan servicing (previously covered by SOP 50 50) and loan liquidation (previously covered by SOP 50 51). And, it includes all of the changes made to the Agency's 7(a) loan servicing and liquidation policy and procedures since 1999 when SOP 50 50 4 was issued, and 2010 when SOP 50 51 3 was issued.

SOP 50 57 also includes value-added content set out in note boxes, practice tips and clearly labeled examples, which answers frequently asked questions such as how to hire a good auction company.

What SOP 50 57 does not include is any reference to 504 loans or SBA internal decision-making procedures. A new SOP covering 504 loan servicing and liquidation has been drafted and is expected to be issued within the next six months. Until that time, SOP 50 50 4 and SOP 50 51 3 will remain in effect to the extent that they apply to 504 loans.

SBA 50 57 may be found on SBA's Web site at [www.sba.gov](http://www.sba.gov).

The following is a summary of the key changes to 7(a) loan servicing and liquidation policy and procedures found in SOP 50 57.

## 1. Changes Related to Loan Servicing

**Seasoned Loan Definition:** The definition of a "seasoned loan" is the mirror opposite of the definition pertaining to when there has been an "early default" on a loan, and is now more closely aligned to the industry definition of a seasoned loan as one that has paid as agreed for one year.

**Environmental Risk Management:** SBA's environmental risk management guidelines have been expanded to address issues pertaining to loans in regular servicing status.

**Loan Action Justification and Documentation:** All servicing decisions must be justified and documented in a loan action record that is independent of any document prepared by a senior lienholder or any other person with a conflict of interest.

**Subordination in Conjunction with SBA Loan Assumption:** When an SBA loan is assumed, it may be subordinated to the acquisition loan up to the documented amount of any funds used to maintain or increase the value of the collateral.

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**EXPIRES:** 03/01/14

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SBA Form 1353.3 (4-93) MS Word Edition; previous editions obsolete  
Must be accompanied by SBA Form 58

## 2. Changes Related to Liquidation Policy and Procedures

Financial Hardship: To help ensure that decisions pertaining to financial hardship are uniform, based on objective criteria, and applied consistently, the SOP includes a definition of the term “financial hardship” that utilizes the Collection Financial Standards published by the Internal Revenue Service.

Protective Bids: SBA policy with regard to when a protective bid should and should not be entered at a senior lienholder’s foreclosure sale has been modified to include a “prudent lender” exception based on circumstances that are not reflected in the appraisal but are documented in the loan file.

Release of Redemption Rights: The redemption rights associated with an SBA loan may only be released *after* confirmation of the foreclosure sale in exchange for cash in an amount approximately equal to 50% of the property’s recoverable value.

When Collateral Must be Liquidated: The recoverable value dollar threshold for when collateral must be liquidated (and cannot be abandoned) has been raised from \$2,500 to \$5,000 for personal property and \$5,000 to \$10,000 for real property.

Compromise: The compromise chapter includes guidelines for compromises involving going concerns; adds SBA program integrity as a factor that must be considered when determining whether a compromise offer is sufficient; and recommends the use of a mutual release when the compromise amount is paid in full.

Recoverable Expenses: Lenders may only submit requests for approval or reimbursement of recoverable expenses when the lender submits its loan guaranty purchase request, when the recoverable expenses total \$5,000 or more per loan, or when the lender submits its wrap-up report.

Repair Estimate: Lenders are encouraged to acknowledge errors and to include a repair estimate in their purchase package in order to expedite the repair and guaranty purchase process.

Use of Debarred or Suspended Loan Agent: The SOP specifically states that a full denial of liability is almost always justified if the lender placed SBA at risk by making a loan based on a loan package prepared by an agent who was suspended or debarred by SBA or another federal agency, unless the lender provides credible evidence that the business failed for totally unrelated reasons.

### Questions Concerning SOP 50 57

Questions with regard to SOP 50 57 should be directed to the lender relations specialist at your local SBA field office. To find an SBA field office near you, visit [www.sba.gov/localresources](http://www.sba.gov/localresources).

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