



SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1358

SUBJECT: Issuance of SOP 50 57 2,
7(a) Loan
Servicing and Liquidation

EFFECTIVE: 11-23-2015

The Office of Capital Access announces the issuance of SOP 50 57 2, which will become effective on December 1, 2015. The new SOP provides a requirement for lenders to complete Prudent Liquidation of 7(a) loans within either 24 months from the date of guaranty purchase or 24 months from the effective date of this SOP for loans where lenders are actively liquidating, whichever is later, or receive from SBA prior written approval for extension of that 24 month deadline. Additionally, the new SOP provides clarification to 7(a) lenders and SBA staff on several issues.

SBA 50 57 2 may be found on SBA's Web site at 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 2.

Changes Related to Loan Servicing & Liquidation

Prudent Liquidation – The term prudent liquidation is now defined in the definitions chapter of the SOP. This definition emphasizes that lenders must complete liquidation within either 24 months of the date of guaranty purchase or 24 months from the effective date of this SOP, whichever is later.

120 Day Annual Service Fee – If the Lender submits a Wrap-up Report acceptable to SBA concurrently with its guaranty purchase request, SBA will collect an Annual Service Fee in the amount in place at the time the loan was approved for a maximum of 120 calendar days from the last interest paid to date and “0” percent thereafter.

Resolution of Purchased Loans – Consistent with the definition of Prudent Liquidation above, SBA will now require that lenders resolve loans within either 24 months after guaranty purchase, or 24 months from the effective date of this SOP, whichever is later, unless there is an extenuating circumstance and an exception is granted by SBA. Lenders who fail to comply with this requirement will be referred to the Office of Credit Risk Management for enforcement actions.

Revolving lines of credit – Clarification that revolving lines of credit are considered fully disbursed upon initial disbursement.

Early Default – Revolving lines of credit are now considered an early default when the default date is within 18 months of the initial disbursement of the loan.

Small loans \$350,000 and under – Clarifies that loans approved on or after January 1, 2014 which are \$350,000 and under are now serviced and liquidated in the Commercial Loan Servicing Centers.

Use of e-Tran – Clarifies which actions require the use of e-Tran for updates by the lenders.

Credit Bureau Reporting – Incorporated guidance on credit bureau reporting requirements.

Charge Off Procedures – Added clarification to give lenders better guidance on when and how to submit Wrap up reports to SBA for SBA charge off.

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

SBA Reporting Requirements – Modified the status reporting requirement to SBA. Lenders will now be required to submit semi-annual reports to SBA beginning 24 months after guaranty purchase, instead of quarterly reporting.

Returning loans to Regular Servicing – Removed the requirement for 3 months of payments prior to returning a loan to regular servicing. Loans can now be returned to regular servicing once a written agreement is in place.

Receiverships – Added information on receiverships to provide guidance to lenders when considering using a receivership in a liquidation situation.

Expenses – Clarified that expenses should only be submitted to SBA at the time of guaranty purchase and SBA charge off.

1099-C – In order to avoid confusion and duplicate reporting SBA will now issue 1099-Cs on the entire cancelled portion of an SBA loan.

Questions with regard to SOP 50 57 2 should be directed to the SBA representative at your local SBA field office. To find an SBA field office near you, visit www.sba.gov/localresources.

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