



# Servicing and Liquidation Actions

## 7(a) Lender Matrix

**Disclaimer:** The Office of Financial Program Operations (OFPO) develops and distributes tools, such as this loan action matrix, which are designed to make it easier for SBA lending partners to find and comply with Agency Loan Program Requirements. OFPO makes every effort to ensure that each tool is accurate at the time it is developed and updated whenever there is a relevant change. Use of these tools, however, is not a substitute for keeping up-to-date with SBA Loan Program Requirements or complying with them. In the event of a conflict between a tool relied upon by a Lender and the applicable Loan Program Requirement, the Loan Program Requirement will prevail.

**Please see Footnotes at end of document. All lender actions Must comply with SBA loan program requirements.**

Lenders are required to use E-Tran Servicing for the actions marked with an X in the E-Tran Required column below. Lenders are required to notify the appropriate Center for other actions, as identified below. For actions requiring SBA notification via the Center, Lenders will receive a reply acknowledging that the notification was received. Actions submitted to the Center that do not require SBA notification or prior SBA approval will not receive an acknowledgement.

<b>If a lender makes a change using E-Tran servicing, a separate notification to SBA is not required and Should not be sent.</b>	<b>Unilateral Actions</b>			<b>Requires Prior SBA Approval</b>
	<b>E-Tran Required</b>	<b>Notify Center</b>	<b>No Notification Required</b>	

**Approved Loans Prior to Final Disbursement - See SOP 50 10 5, Subpart B**

*\*Revolving lines of credit are considered fully disbursed upon initial disbursement*

**Prior to final disbursement**, actions that require prior SBA notification and requests for prior SBA approval Must be sent to the Standard 7(a) Loan Guaranty Processing Center (LGPC) in accordance with SOP 50 10 5, Subpart B

<b>Changes to Loan Authorization within loan program guidelines:</b>				
Loan approved under delegated authority <sup>1</sup>			X	
Loan approved by the Standard 7(a) Loan Guaranty Processing Center (LGPC)				X
Increase or Decrease loan amount on loans approved under delegated authority <sup>1</sup>	X			
Increase or Decrease loan amount on loans approved by the Standard 7(a) LGPC				X
Change in SBA's Guaranty percentage				X
Change interest rate <u>prior</u> to initial disbursement <sup>2</sup>	X			
Change interest rate <u>after</u> initial disbursement <sup>2</sup>		X		
Change an obligor EIN or SSN for loan approved under delegated authority		X		
Change loan maturity date	X			
Extend final disbursement date			X	
Change Obligor's address or legal/trade name of business	X			
Cancel SBA Guaranty <u>prior</u> to initial disbursement	X			
Cancel SBA Guaranty <u>after</u> initial disbursement <sup>7</sup>	X			
Reinstatement of SBA Guaranty				X

**Loans in Servicing & Liquidation (after final disbursement)**

*See SOP 50 57 and 13 CFR 120.535 and 120.536*

**After final disbursement**, actions that require SBA notification and requests for prior SBA approval Must be sent to the appropriate Commercial Loan Servicing Center (CLSC).

	<b>Activity creating real, apparent, or potential conflict of interest/ Confer a Preference<sup>3</sup></b>				X
	Release Borrower or Guarantor				X
	Compromise principal balance owed <sup>4</sup>				X
SBA Approval Required	Assumption of loan with release of original Borrower / Guarantor				X
	Take title to any property in the name of SBA				X
	Take title to Contaminated property, or take over operation or control of a business that handles Hazardous Substances or is located on Contaminated property.				X
	Emergency Purchase from secondary market				X
	Determination of involuntary prepayment / subsidy recoupment fee				X
	Reinstatement of SBA Guaranty				X
	Extraordinary servicing fee per 13 CFR 120.221(b)				X
	Increase loan amount on loans approved by the Standard 7(a) LGPC <sup>6</sup>				X
	Transfer, sell or pledge more than 90% of a loan				X
	Etran Update or SBA Notification Required	Transfer, sell or pledge 90% or less of a loan		X	
Decrease to loan approval amount or SBA's Guaranty percentage			X		
Terminate SBA Guaranty <u>prior</u> to submission of Guaranty Purchase Demand Kit <sup>7</sup>		X			
Extend maturity prior to stated maturity date for loans in Regular Servicing <sup>6, 15</sup>		X			
Extend maturity prior to stated maturity date for loans in Liquidation			X		
Change interest rate <u>within loan program guidelines</u> <sup>2, 6</sup>			X		
Change in Borrower's legal structure <sup>8</sup>			X		
Add a Guarantor to the loan		X			
Correct or Change EIN or SSN <sup>8</sup>			X		
Change Obligor's address or legal/trade name of business <sup>8, 14</sup>		X			
Assumption of loan without release of original Borrower / Guarantor		X			
Transfer loan into liquidation status <sup>7</sup>		X			
Return loan to regular servicing status <sup>13</sup>			X		
Change a loan to PIF status <sup>7</sup>		X			
Increase loan amount on loans approved under delegated authority <sup>6</sup>		X			
Change loan from revolving to non-revolving	X				

[For the most recent version of this matrix, click here!](#)

Capitalized words in this Matrix are defined in Ch 2 of SOP 50 57



# Servicing and Liquidation Actions

## 7(a) Lender Matrix

		Unilateral Actions			Requires Prior SBA Approval
		E-Tran Required	Notify Center	No Notification Required	
No Approval or Notification	Subordinate / release lien <sup>3</sup>			X	
	Defer payments <sup>3, 6</sup>			X	
	Release / substitute collateral <sup>3</sup>			X	
	Accept prepayments (subsidy recoupment fee may apply)			X	
	Changes to Loan Authorization, including changes to use of proceeds			X	
	Correct typographical errors in loan documents (including Loan Authorization)			X	
	Make loan that does not adversely affect collateral position of SBA guaranteed loan			X	
	Change flood, life or hazard insurance requirements <sup>9</sup>			X	
<b>Liquidation Actions<sup>5</sup></b>					
	Liquidation Plans and amendments for loans approved under CLP procedures (Liquidation Plans are encouraged for other loans as an aid to recovery)				X
	Sale of collateral or acquired collateral to the Lender, an Associates of Lender, employee of Lender or Close Relative of an employee of the Lender				X
	Private sale of collateral or acquired collateral to an Obligor, or Close Relative or Associate of an Obligor				X
	Appoint a receiver				X
	Public, private or negotiated sale of collateral (other than those above) <sup>3</sup>			X	
	Initiate foreclosure proceeding <sup>10</sup>			X	
	Obtain Phase I or Phase II environmental audit (may be needed for possible acquisition of property or other reason)			X	
	Deed in lieu of foreclosure that will not prevent recovery from Borrower/Guarantors			X	
	Enter Protective Bid at foreclosure sale			X	
	Purchase or pay prior lien <sup>3</sup>			X	
	Site visit			X	
	Obtain current Appraisal			X	
	Pay real estate taxes			X	
	Hire auctioneer or appraiser <sup>3</sup>			X	
	Postpone liquidation action if necessary			X	
	Abandon collateral when justified			X	
	Terminate SBA Guaranty after submission of Guaranty Purchase Demand Kit <sup>7</sup>	X			
<b>Litigation Actions</b>					
	Litigation Plan and budget (for Routine Litigation <sup>11</sup> and legal fees under \$10,000)			X	
	Litigation Plan and budget (if legal fees exceed \$10,000 or Non-routine Litigation <sup>12</sup> ; or if Routine Litigation becomes non-routine)				X
	Amendments to Litigation Plans where material changes arise that were not addressed in the original plan				X
	Any amendments to an approved Litigation Plan if fees increase by more than 15%				X

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### Guaranty Fees

On loans that have been initially disbursed, **the guaranty fee associated with any increase in loan amount or extension of maturity approved by SBA Must be paid to SBA, whether or not the increase or extension of maturity is subsequently cancelled.** Approval of the requested increase or extension of maturity in E-Tran will constitute SBA's prior written consent.

Lenders are reminded to remit Guaranty fees to SBA using [www.pay.gov](http://www.pay.gov) (in accordance with SBA Procedural Notice 2000-766 dated 7/13/09). If a servicing action requires that a fee be paid to SBA, such as for an increase to a loan amount or extension of maturity, said fees are due within 30 days of SBA approval (Lender's change in E-Tran). In the event a short term loan is extended to over 12 months the additional Guaranty fee is owed or an explanation that the extension is solely for purposes of orderly repayment of the debt (subject to determination by SBA) Must be sent to the CLSC.

### Lender Documentation

Lenders Must document the business reason and justification for their decisions and retain these and supporting documents in the loan file for future SBA review to determine if the actions taken were prudent, commercially reasonable (consistent with generally accepted commercial lending practices) and complied with applicable loan program requirements. When taking action that falls within a lender's unilateral authority, the lender is encouraged to notate the loan file with a statement such as, "This action was taken under unilateral authority."

### Lender Reporting after Guaranty Purchase (Liquidation Status Reports)

- (1) Lenders Must submit a loan status report within 15 business days of Purchase by SBA from the secondary market. The report Should address the status of the Borrower, Guarantors, collateral, workout or restructuring plans, liquidation activities including sale of collateral, foreclosures and litigation. The report Should be accompanied by documentation needed for SBA to conduct a post-Purchase review.
- (2) For all loans SBA has purchased, either from the secondary market or directly from the Lender, Lenders must provide the SBA Loan Center with a written status report every 6 months, starting with 6 months from the date of guaranty purchase, or the effective date of the most recent SOP 50 57, whichever is earlier, until the Lender has provided evidence sufficient to SBA that the loan is resolved.
- (3) Lenders Must submit Charge Off Tabs (also known as a Wrap-up Report) for each loan once all requirements for collection and liquidation are satisfied, and further recovery actions are not cost-effective. Lenders Must notify SBA if they will continue recovery actions since loans cannot be sent to Treasury for further collection if the lender is still servicing the loan.

Click Here for a link to the [Charge Off Tabs](#)

Capitalized words in this Matrix are defined in Ch 2 of SOP 50 57



# Servicing and Liquidation Actions

## 7(a) Lender Matrix

**Lenders may contact their District Office Lender Relations Specialists or Brand Managers if they have questions regarding the use of this matrix.**

Lenders Should direct their actions, requests and questions to the following email addresses:

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### National Guaranty Purchase Center

- General liquidation actions and questions: [loanresolution@sba.gov](mailto:loanresolution@sba.gov)
- Expense reimbursement submission and questions: [sbacpc@sba.gov](mailto:sbacpc@sba.gov)
- Wrap up submission and questions: [sbchargeoff@sba.gov](mailto:sbchargeoff@sba.gov)
- General Purchase questions: [sbaPurchase@sba.gov](mailto:sbaPurchase@sba.gov)
- Questions regarding in process Purchases: [Purchasestatus@sba.gov](mailto:Purchasestatus@sba.gov)
- Secondary market questions: [secondarymarketliq@sba.gov](mailto:secondarymarketliq@sba.gov)

Please visit the [National Guaranty Purchase Center Website](#) for all Liquidation and Purchase (non-SBAExpress) related questions.

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### Commercial Loan Service Centers

Lenders Should direct their servicing action/request to:

- [CLSC West \(Fresno\)](#) at [FSC.Servicing@sba.gov](mailto:FSC.Servicing@sba.gov)
- [CLSC East \(Little Rock\)](#) at [LRSC.Servicing@sba.gov](mailto:LRSC.Servicing@sba.gov)

For all servicing and SBAExpress purchase related questions:

- [Visit Fresno CLSC's Website](#)
  - [Visit Little Rock CLSC's Website](#)
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### Footnotes

- 1 After closing a PLP loan, the lender Must send to the appropriate CLSC (Fresno or Little Rock) a copy of the executed Authorization, including any modifications. (SOP 50 10 5(G), subpart B, chapter 7)
- 2 SBA defines a fixed rate loan as one that bears the same interest rate for the entire term of the loan. After loan approval and prior to first disbursement, the lender may change the initial Note rate, including changing the base rate, the spread over the base rate, or from a fixed rate to a variable rate or from a variable rate to a fixed rate, provided the new interest rate does not exceed the maximum allowable interest rate at the time of the loan application. The lender Must obtain the Borrower's written agreement and Must notify the LGPC of the change or make the change through E-Tran servicing. After the loan is disbursed, on a variable rate loan the lender may change the base rate or the spread over the base rate, on a fixed rate loan the lender may change the rate, and the lender may also change the Note from a fixed rate to a variable rate or from a variable rate to a fixed rate, provided the new interest rate does not exceed the maximum allowable interest rate at the time of loan application. The lender Must obtain the Borrower's written agreement and Must notify the appropriate CLSC of the change through E-Tran servicing. If SBA changes the permissible maximum interest rates for a specific 7(a) program, the new rates apply only to loans approved on or after the effective date of the change.
- 3 Lenders are reminded not to engage in any action that could create a Preference. (See definition in 13 CFR 120.10 - "Preference is any arrangement giving a Lender or a CDC a preferred position compared to SBA relating to the making, servicing, or liquidation of a business loan with respect to such things as repayment, collateral, guarantees, control, maintenance of a compensating balance, purchase of a certificate of deposit or acceptance of a separate or companion loan, without SBA's consent.") Especially problematic would be a lender's actions in connection with a non-monetary default on its own loan that may adversely affect an SBA guaranteed loan to the same Borrower.
- 4 Compromise with Borrower or Guarantor of all or a portion of accrued interest is permitted as a unilateral action.
- 5 Lender's Purchase demand Must be made within 180 days after loan maturity or completion of liquidation / litigation actions, or SBA may be released of its liability on the loan Guaranty.
- 6 For loans that have been sold in the secondary market, any payment modifications, change to the loan amount, interest rate changes, extensions of maturity and deferrals over 90 days (cumulative) Must have investor approval. Lenders Should send these Servicing Requests directly to the FTA, with subsequent notification of investor approval forwarded to the appropriate CLSC.
- 7 Lender's must use E-Tran to transfer loans to liquidation status and to cancel the SBA Guaranty prior to submission of Guaranty Purchase request. Lenders may also use E-Tran to correct 1502 reporting errors. If a permitted change is made in E-Tran, a duplicate notice for the change is not to be sent to a CLSC. After submission of Guaranty Purchase request, lenders will need notify the Center in order to terminate the SBA Guaranty. After Guaranty Purchase, Lender's Must use pay.gov (SBA Form 172) to remit SBA's share of any recovery or payment, including payments that result in PIF.
- 8 SBA Must be notified of a change in Borrower legal structure if it results in a change to EIN or SSN of any obligor.
- 9 SBA considers it to be a prudent lending practice for lenders to maintain insurance on worthwhile collateral.
- 10 If the foreclosure proceeding is considered Non-routine or will exceed a budget of \$10,000, then the lender Must submit a Litigation Plan to SBA.
- 11 Routine Litigation means uncontested litigation (such as non-adversarial matters in bankruptcy and undisputed foreclosure actions) having estimated legal fees not exceeding \$10,000. If you anticipate that your legal budget will exceed \$10,000, or that issues may arise that are non-routine, please provide SBA with an amended or updated Litigation Plan and budget via the [loanresolution@sba.gov](mailto:loanresolution@sba.gov) in-box. Lenders Should consult additional litigation requirements in SBA's regulations at 13 CFR 120.540. Lenders are cautioned not to incur legal fees or other costs on loans where recovery cannot reasonably be expected.
- 12 Non-routine Litigation includes:
  - (1) All litigation where factual or legal issues are in dispute and require resolution through adjudication
  - (2) Any litigation where legal fees are estimated to exceed \$10,000
  - (3) Any litigation involving a loan where a lender has an actual or potential conflict of interest with SBA
  - (4) Any litigation involving a 7(a) loan where the lender has made a separate loan to the same Borrower which is not a 7(a) loan.
- 13 SBA loans should be removed from liquidation status and returned to regular servicing when the borrower has executed a written agreement that provides for resumption of regular payments. Lenders must submit to SBA a copy of the executed workout or modification agreement along with their request to change the status of the loan back to regular servicing.
- 14 Lenders must contact the appropriate SBA center for any name changes which involve a borrower with loans to multiple institutions, as such action cannot be performed via E-Tran.
- 15 Lenders Must refer to the SOP 50 10 in effect at the time of loan approval for Program Guidelines and actions relative to Loan or Borrower Eligibility.

[For the most recent version of this matrix, click here!](#)