

SOP 50 57 3.1

7(a) Loan Servicing and Liquidation Updates

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Instead of the 4 columns of actions/approvals set forth in the previous versions of the Matrix, the updated Matrix contains just 2 columns – “Unilateral Action” and “Requires Prior SBA Approval.” The Unilateral Action category specifies the applicable requirements that a Lender must take that used to be specified in separate columns in the previous versions of the Matrix – “E-Tran Required” “Notify Center” or “No Notification Required”

Unilateral Actions			Requires Prior SBA Approval
E-Tran Required	Notify Center	No Notification Required	
		X	

Unilateral Action	Requires Prior SBA Approval
No Notification Required	No

Additional changes reflected in the new Matrix include the following:

- Certain actions that a Lender could take prior to final disbursement have changed as follows:
 - Changes in the interest rate after initial disbursement may now be handled through E-Tran (no Center notification required)
 - Changes to an obligor EIN or SSN for a loan approved under delegated authority may now be handled through E-Tran (no Center notification required)
 - Lender must get prior SBA approval to extend the final disbursement date beyond 48 months from loan approval date (No notification is required to extend the final disbursement date of a loan for up to 48 months from loan approval date)

Additional changes reflected in the new Matrix include the following:

- For changes in the obligor's address or legal/trade name of the business, Lenders must notify the Center of any such change (as opposed to merely updating E-Tran)
- Changes to Loan Authorizations, including changes to use of proceeds, once the loan has moved into servicing and liquidation (after final disbursement), must now be updated in E-Tran. Changes to Terms & Conditions currently require updates to E-Tran. Note: Loan Authorizations are not required for loans approved after August 1, 2023.

Best practice: Whenever a Lender is taking an action in reliance upon the Matrix, Lender should keep a copy of the Matrix relied upon with the documentation of its action. This practice will make any review of a Lender's action easier for the reviewer, which could result in a quicker decision on a Lender's guaranty request.

Lender must document the business reason and justification for their decisions and retain supporting documents in their 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.

Important Notes: 7(a) Matrix & Hazard Insurance

- When contemplating a Servicing Action, always refer to the 7a Matrix first as it tells you what you can do with and without SBA approval and if you need to notify the SBA or not.
 - This will help with efficiency and limit any delays on your Servicing Actions
 - Always remember to read the footnotes as this may change a Unilateral Action into one that requires SBA approval
 - Again, whenever a Lender is taking an action in reliance upon the Matrix, Lender should keep a copy of the Matrix relied upon with the documentation of its action.

Hazard Insurance in Certain States

SBA is beginning to see that the Hazard Insurance Companies in certain states are not writing new and/or not renewing Hazard Insurance policies.

If this is the case, Borrower needs to provide 2 to 3 copies of denials/declines from insurance companies to the Lender to document their file.

SOP 50 57 3.1 Chapter Revision Review

Chapter 2. Definitions

Page 29 and 30, Paragraph A.54.b and A.54.c:

Clarifies the Loans on liquidated status that Lenders should submit Servicing Requests to the appropriate SBA Commercial Loan Service Centers (CLSC):

Previously: “(2) Loans in Liquidated status: Standard 7(a) Loans of \$500,000 or less, 7(a) Small, SBA Express, Export Express and Pilot Loan Programs (including Community Advantage)”

Now: “(2) Loans in Liquidated status: All 7(a) Loans of \$500,000 or less, SBA Express, Export Express and Pilot Loan Programs (including Community Advantage)”

Chapter 3. Lender Responsibility and Authority

Page 35, Paragraph C.3.h.: Lender must obtain SBA’s prior written approval before taking any Loan Action that involves an:

Previously: “h. Assumption of a 7(a) Loan with the release of an Obligor;”

Now: “h. Assumption of a 7(a) Loan with the release of an Obligor for Loans that are in payment Default or liquidation only. (See Chapter 11 of the SOP for additional guidance)”

(As well as the related sections in Chapter 8, Paragraph D on page 76 and Paragraph I on page 78; and Chapter 11, Paragraph A.11 on page 88)

Page 36, Paragraph C.4.b.:

“For Loans that are fully disbursed, Lenders must send Servicing Requests for any Loan Action that requires prior SBA approval to the appropriate CLSC (in Fresno or Little Rock) or the NGPC in Herndon, VA. The CLSC/NGPC will consult with the appropriate USEAC or SBA Legal Counsel as needed.

- Added “or SBA Legal Counsel” after “USEAC”, to reflect appropriate SBA Legal Counsel review of Lender Servicing Requests that involve Lender Litigation Plans and/or Debt Collection Litigation Expenses

Page 37, Note Box:

Revised Note Box Content: “Note: The appropriate SBA District Counsel or Center Counsel will make a determination on all Lender Servicing Requests that involve Lender Litigation Plans, Debt Collection Litigation Expenses and other legal expenses. SBA Loan Centers will decide all other Lender Servicing Requests. SBA Loan Centers, Center Counsel or SBA District Counsel should respond to Lender Servicing requests within 15 business days from the date SBA receives the Servicing Request. (See 13 C.F.R. §120.541 for additional guidance)”

- This change is to provide SBA Loan Centers with the flexibility to review Lender Servicing Requests that do not require SBA District Counsel review.

Page 38, Paragraph C.6.b.:

Expanded this section to include the appeal of SBA Center Counsel decisions on Litigation Plans, Debt Collection Litigation Expenses and other legal expenses

Added “Lenders should submit such requests to the appropriate SBA Loan Center for tracking purposes.” at end of paragraph, to clarify how Lenders may appeal the decision of an SBA Center or District Counsel regarding a Litigation Plan, Debt Collection Litigation Expenses and other legal expenses

- This makes it easier for the SBA to track trends, to clarify policy, to streamline and take corrective action, if necessary.

Page 44, Paragraph F.4.a.(l):

Deleted requirement for Lenders to submit Litigation Plan status updates and replaced it with guidance for the submission of amendments to SBA approved Litigation Plans.

In the previous version, Lenders had to provide the appropriate SBA Loan Center with a written litigation status report every six months beginning six months from the date of approval of the initial Litigation Plan.

Even though there is a change in this provision, it is noted that Lenders must still include updates on liquidation activities and litigation proceedings in the periodic Loan status reports they submit to the appropriate SBA Loan Center every six months, beginning six months from the date of guaranty purchase, until the Loan is paid in full, or the Lender submits a Wrap-up Report, acceptable to SBA.

Chapter 4. Loan Payment Administration

Page 50, Note Box:

Added “,or designee,” after “D/OFPO” (Director of the Office of Financial Program Operations) and “D/OFA” (Director of the Office of Financial Assistance) to provide flexibility for those SBA officials to delegate authority for determining whether a prepayment is voluntary or involuntary for subsidy recoupment fee applicability purposes.

Chapter 8. Modification of Collateral

Page 75, Paragraph D:

Added “In Loan assumption and assumption of personal guaranty transactions, Lenders must obtain SBA’s prior written approval to release an existing Obligor for Loans that are in payment Default or liquidation only (see Chapter 11 of this SOP for additional guidance)”

Added Assumption of Personal Guaranty language, to align the guidance for assuming a personal guaranty for a 7(a) loan with the guidance for substituting guarantors.

Chapter 11. Assumptions, Assignment or Sale of Loan

Page 88, Note: Box:

Added “(See Chapter 8, Paragraph D of this SOP for guidance on the assumption of personal guaranties.)” to cross-reference and provide additional guidance on Assumptions

Chapter 14. Special Purpose Loans

Page 120, Paragraph F.7.c:

Added “SBA expects Lenders to accept and make a decision on any PPP Loan forgiveness application submitted by a Borrower within five years from the date that SBA issued the PPP Loan number to the Lender. To the extent that any PPP Loan Borrower has received an extension of its maturity date for a period longer than five years, that Borrower must submit its Loan forgiveness application on or before five years from the date that SBA issued the PPP Loan number to the Lender. SBA is imposing this five-year PPP Loan forgiveness deadline because extensions of maturity beyond five years for PPP loans are allowed only to aid in the orderly repayment of the Loan.”

Chapter 22. Litigation

Page 178, Paragraph C.3.a.(1):

Added “(See Chapter 2, paragraph 12 of this SOP for the definition of Debt Collection Litigation Expenses.)” at end of paragraph to clarify what Debt Collection Litigation Expenses are.

Chapter 2, paragraph 12 – The definition of Debt Collection Litigation Expenses means the legal fees and expenses associated with actions conducted by a Lender’s outside legal counsel related to matters of adjudication before a local, state or federal court, which are subject to the \$10,000 threshold for determining Non-Routine Litigation in accordance with 13 CFR §120.540(c).

Debt Collection Litigation Expenses do not include the legal fees and expenses associated with a Lender’s non-judicial execution of the rights and responsibilities under the SBA Loan Documents, including the development of Loan modification agreements, forbearance and Loan workout agreements, non-judicial foreclosures and other liquidation actions that are not subject to the \$10,000 threshold for determining Non-Routine Litigation.

Chapter 24. Loan Guaranty Purchase Requests

Page 200, Paragraph D.5.a.(1) and (2):

Clarified the \$500,000 Loan threshold (including companion Loans to the same Borrower) for where to send Universal Purchase Packages.

Chapter 25. Denial of Liability on 7(a) Loan Guaranty

Page 210, Paragraph G.6.a.:

Previously, it said: If a Lender requires an equity injection and as part of its standard processes for similarly-sized, non-SBA guaranteed commercial loans verifies the equity injection, it must do so for its SBA Loans.

Replaced with: “If a Lender requires an equity injection and as part of its standard processes for similarly-sized, non-SBA guaranteed commercial loans verifies the equity injection, it must do so for its SBA Loans. However, the Lender may use its discretion to reduce the amount of equity and/or equity injection required if it determines that the applicant needs leverage that exceeds the Lender's conventional requirements. If a Lender does not require an equity injection as part of standard processes for similarly-sized non-SBA guaranteed commercial loan, SBA will not require the Lender to do so for its SBA loans. Lenders that only make SBA Loans must document their compliance with the policies they submitted to SBA in conjunction with their application to become an SBA Lender. For Loans that finance a change in the ownership of a business, Lender must provide evidence that the equity injection satisfies SBA requirements for such Loans.”

Page 212, Paragraph G.6.f.:

Deleted all examples of equity injection sources and retained the requirement for Lenders to use the same processes they use to verify equity injections for their similarly-sized non-SBA guaranteed commercial loans.

Chapter 27. Lender Wrap-up and SBA Charge Off

Page 218, Paragraph B.1.a.:

Replaced “Loan Documents” with “Loan Note, personal guarantees, and any judgments” to specify the documents that Lenders must assign to SBA and include in the Wrap-up Reports they submit to SBA.

Page 220, Paragraph D.2.a:

Replaced “Loan Documents” with “Loan Note and any personal guarantees or judgments” to specify the documents that Lenders must assign to SBA and include in the Wrap-up Reports they submit to SBA.

Deleted the requirement for Lenders to provide evidence of the recordation of assignments, judgments and all other documents for the remaining collateral.

Thank You

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