



# SBA Information Notice

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**TO:** All SBA Employees

**CONTROL NO.:** 5000-1110

**SUBJECT:** Servicing and Liquidation Authority  
of 7(a) Lenders

**EFFECTIVE:** 6-25-2009

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On April 12, 2007, SBA published regulations on liquidation and debt collection activities that amended 13 CFR Part 120 governing business loans. The new regulations became effective on May 14, 2007. Section 120.536 standardized across the various 7(a) loan programs the servicing and liquidation actions that require prior SBA approval, and reminded lenders to maintain in their loan files supporting documentation for actions taken in connection with a loan not requiring prior SBA approval. This documentation is essential for SBA's review of the lender's handling of a loan if it is submitted for guaranty purchase and for SBA's determination as to whether the lender's actions were prudent, commercially reasonable (consistent with generally accepted commercial lending practices) and in accordance with loan program requirements.

The purpose of this notice is to remind all SBA 7(a) lenders that they are given the same authority previously held by PLP lenders to service and liquidate their loan portfolios. Therefore, lenders may use their unilateral authority in order to expeditiously address the needs of small business concerns in these difficult economic times. This unilateral authority includes, among other things, deferments and loan restructuring where needed to keep a small business open and operational.

SBA's regulations at 13 CFR § 120.535 set forth the following general standards for loan servicing, liquidation and debt collection litigation actions:

*(a) Service using prudent lending standards.* Lenders ... must service 7(a) ... loans in their portfolio no less diligently than their non-SBA portfolio, and in a commercially reasonable manner, consistent with prudent lending standards, and in accordance with Loan Program Requirements. Those Lenders ... that do not maintain a non-SBA loan portfolio must adhere to the same prudent lending standards for loan servicing followed by commercial lenders on loans without a government guarantee.<sup>1</sup>

With the exception of the actions specifically identified in 13 CFR § 120.536, SBA has now delegated to all 7(a) lenders identical unilateral servicing authority as indicated above. SBA's Commercial Loan Servicing Centers (CLSCs) in Fresno and Little Rock and the Herndon National Guaranty Purchase Center (NGPC) are unable to approve actions within a lender's unilateral servicing authority because of the high volume of such actions.

As a helpful guide for lenders to determine which actions they may take unilaterally, SBA has developed a matrix for both servicing and liquidation actions that replaces previous matrices that addressed servicing and liquidation actions separately. The new combined matrix is available on

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<sup>1</sup> Loan Program Requirements are defined in 13 CFR §120.10 as "requirements imposed upon lenders ... by statute, SBA regulations, any agreement the lender ... has executed with SBA, SBA SOPs, official SBA notices and forms applicable to the 7(a) ... loan programs, and loan authorizations, as such requirements are issued and revised by SBA from time to time."

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**EXPIRES: 6-01-2010**

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SBA's websites for the Fresno, Little Rock and Herndon centers accessible through [www.sba.gov/banking](http://www.sba.gov/banking). **A direct link to the matrix is also available on the West Virginia District Office website at [www.sba.gov/localresources/district/wv/financing/index.html](http://www.sba.gov/localresources/district/wv/financing/index.html).**

As indicated above, for all loan servicing actions lenders must continue to document the justifications for their decisions and retain these and supporting documents in their loan files for future SBA review if the loan is submitted for guaranty purchase, as well as for lender oversight purposes. A lender's actions will be evaluated in the purchase process to determine whether they constituted a reasonable business decision made in connection with good faith efforts to keep a borrower's business open.

It is important that lenders notify SBA with respect to the unilateral actions identified in the combined matrix that are identified as requiring SBA *notification*. Such notice is necessary to update SBA's loan database and to maintain accurate records for loans that will be sold in the secondary market.

SBA encourages all lenders to become familiar with and use E-tran, which permits lenders to make many changes to their SBA loan record using a direct connection via the internet. SBA is offering special training and assistance in relation to servicing, the use of E-tran, as well as the servicing and liquidation matrix. This training is being offered through local SBA district offices in cooperation with SBA's loan servicing centers. Lenders are encouraged to contact brand managers or other officials at their local SBA district office for more information regarding training

For questions, please contact the Little Rock CLSC Director, Nique Carrington (501-324-5871, Ext. 281), the Fresno CLSC Director, Joel Stiner (559-487-5136, Ext. 215), the Herndon NGPC Director, Vanessa Piccioni (703-487-9293), or Walter Intlekofer at SBA Headquarters (202-205-7543).

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Grady Hedgespeth  
Director  
Office of Financial Assistance

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