



# SBA Information Notice

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**TO:** All SBA Employees and 7(a) Lenders

**CONTROL NO.:** 5000-856113

**SUBJECT:** Issuance of SOP 50 57 3.1

**EFFECTIVE:** September 17, 2024

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In May of 2023, SBA announced the publication of Standard Operating Procedure (SOP) 50 57 3, 7(a) Loan Servicing and Liquidation, which became effective on August 1, 2023. Since then, Agency staff has received and reviewed questions and comments from the public, including participating lenders and representatives of various trade associations regarding the SOP. Because of this feedback, SBA has made technical corrections to clarify the SOP, some of which are identified below, which will result in the issuance of SOP 50 57 3.1 with an effective date of December 1, 2024. The page numbers shown below correspond to the page numbers in SOP 50 57 3.1 posted on SBA's website.

## Chapter 2. Definitions

Page 29 and 30, Paragraph A.54.b and A.54.c: Revised to “7(a) Loans of \$500,000 or less including...” to clarify where Lenders should submit Servicing Requests for Loans in liquidation status.

## Chapter 3. Lender Responsibility and Authority

Page 35, Paragraph C.3.h.: Regarding the release of Obligors in Loan assumption transactions, added “for Loans that are in payment Default or liquidation only. (See Chapter 11 of this SOP for additional guidance.)” at end of this section, and 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.: 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: Replaced the contents of Note Box with: “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

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SBA Form 1353.3 (4-93) MS Word Edition; previous editions obsolete

**EXPIRES: 9-1-25**

Must be accompanied by SBA Form 58

requests within 15 business days from the date SBA receives the Servicing Request. (See 13 C.F.R. §120.541 for additional guidance.)”, 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.

Page 44, Paragraph F.4.a.(1): 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. 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. (See Chapter 24 Paragraph E of this SOP for guidance on Prudent Liquidation Deadlines and other requirements for SBA guaranty purchased Loans.)

#### **Chapter 4. Loan Payment Administration**

Page 51, Note Box: Added “, or designee,” after “D/OFPO” and “D/OFA”, 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 76, Paragraph D: Added “or Assumption of Personal Guaranty” after “Substitution of Guarantor”, to align the guidance for assuming a personal guaranty for a 7(a) loan with the guidance for substituting guarantors.

#### **Chapter 11. Assumption, Assignment or Sale of Loan**

Page 89, Note: Box: Added “(See Chapter 8, Paragraph D of this SOP for guidance on the assumption of personal guaranties.)”.

#### **Chapter 14. Special Purpose Loans**

Page 121, 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 179, 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.

## **Chapter 24. Loan Guaranty Purchase Requests**

Page 201, 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 211, Paragraph G.6.a.: 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 its standard processes for similarly-sized non-SBA guaranteed commercial loans, 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, Lenders must provide evidence that the equity injection satisfies SBA requirements for such Loans. (See [SOP 50 10](#) for additional guidance.)”, to clarify the conditions under which SBA requires evidence of a required equity injection.

Page 213, Paragraph G.6.f.(3): 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 220, 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 222, 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 remaining collateral, in their Wrap-up Reports.

Questions concerning this Notice may be directed to the Lender Relations Specialist in the local SBA Field Office. Local SBA Field Offices can be found at <https://www.sba.gov/tools/local-assistance/districtoffices>.

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Office of Financial Program Operations