



SBA Procedural Notice

TO: All SBA Employees, 7(a) Lenders and Certified Development Companies

CONTROL NO.: 5000-806780

EFFECTIVE: March 12, 2021

SUBJECT: Guidance on 7(a) and 504 Loans with Monthly Installments in Excess of \$9,000

In SBA Procedural Notice 5000-20079 (“Notice”), SBA issued additional guidance for Section 1112 debt relief following enactment of the Economic Act to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the “Economic Aid Act”). As stated in the Notice, under Section 1112(c)(4) of the Coronavirus Aid, Relief and Economic Security Act, as amended by Section 325 of the Economic Aid Act, no single monthly payment of principal, interest, and associated fees that is made by SBA to cover a Second Round Section 1112 Payment (described in SBA Procedural Notice 5000-20079) may total more than \$9,000. The Notice stated that it is the borrower’s responsibility to pay any amount that exceeds the monthly limit of \$9,000 (the “excess due”) at the time the payment is due. If the borrower is unable to do so, Lenders are responsible for addressing the excess due with affected borrowers using prudent lending standards including entering into a mutually agreeable arrangement to make up the excess due. The purpose of this Notice to provide supplemental guidance to Lenders with loans sold into SBA pools in the Secondary Market and to CDCs with 504 loans in debenture pools.

7(a) Loans in SBA Pools

Approximately 90% of all loans sold in the SBA Secondary Market are in SBA pools. While borrowers remain responsible for installment payments as prescribed in their respective SBA Notes, some continue to experience financial hardship resulting from the pandemic. If a borrower with a pooled loan is unable to pay the excess due at the time the payment is due, SBA will approve the Lender’s request for a principal-only deferment. Lenders may submit these requests through the SBA Fiscal and Transfer Agent (“FTA”), Colson Services Corporation, by accessing the Customer Service Online Request (“CSOR”) feature from the Sign In drop down menu on the FTA’s website, <https://colsonservices.bnymellon.com>.

504 Loans and Underlying SBA Debenture Pools

With respect to any excess due, the borrower must remit payment covering the excess due at the time the payment is due to SBA through the Central Servicing Agent (CSA) by check or wire. If the borrower does not pay the excess due timely, no late fee will be charged on the excess due

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EXPIRES: 3/1/22

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

Must be accompanied by SBA Form 58

and the CDC will be able to see that the \$9,000 was applied by viewing the “Loan Detail” report in CDC Online. CDCs are advised to coordinate with borrowers on their responsibility to make timely payments on the 504 loan payments not covered by Section 1112 subsidy. However, if the borrower is unable to pay the excess due at the time the payment is due, the CDC must submit, upon the completion of the authorized period of Section 1112 payments, a deferment/catch-up plan request to the CSA to cover the outstanding past due balance. The Section 1112 payments will cover only up to \$9,000 of the scheduled note payment and will not cover any excess due amounts from prior months, or any accrued late payment amounts or late fees. *For questions on specific loans, please contact CSA at sba504csa@wellsfargo.com*

Questions

Questions concerning this Notice may be directed to the Lender Relations Specialist in the [local SBA Field Office](#). Questions may also be submitted through the SBA email box dedicated to Section 1112, Section1112@sba.gov.

Dianna L. Seaborn
Director
Office of Financial Assistance