



# SBA Procedural Notice

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

**CONTROL NO.:** 5000-846991

**EFFECTIVE:** May 9, 2023

**SUBJECT:** Implementation of Removal of the Loan Authorization in accordance with the Final Rule on Small Business Lending Company (SBLC) Moratorium Rescission and Removal of the Requirement for a Loan Authorization (88 FR 21890, effective May 12, 2023)

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The purpose of this notice is to implement the removal of the requirement for a Loan Authorization in accordance with the Final Rule on Small Business Lending Company (SBLC) Moratorium Rescission and Removal of the Requirement for a Loan Authorization) ([88 FR 21890](#), effective May 12, 2023) (Rule) in the 7(a) and 504 Loan Programs. In accordance with the Rule, SBA is revising policies and procedures in Standard Operating Procedure (SOP) 50 10 6, to be effective to all applications received by SBA on or after May 12, 2023.

SBA is removing the requirement for a loan Authorization and will instead rely on the use of the terms and conditions of the loan application as submitted by the SBA Lender into E-Tran. SBA no longer requires the National Authorization Boilerplate (“the Boilerplate”) for 7(a) and 504 loans.

The 7(a) and 504 Loan Programs will use the terms and conditions entered in E-Tran as the agreement between SBA and the SBA Lender stating the terms and conditions under which SBA will guarantee a business loan or issue a debenture.

Effective May 12, 2023, all references to a loan Authorization in SOP 50 10 6 should be disregarded. The following procedures should be used instead.

**For the 7(a) Loan Program:**

1. For loans processed using a Lender’s delegated authority (PLP, PLP-EWCP, SBA Express, or Export Express), the Lender submits the loan guaranty request with the loan terms and conditions in E-Tran. The SBA loan number will be issued in E-Tran signaling the loan is approved.

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**EXPIRES: 5/1/24**

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

Must be accompanied by SBA Form 58

2. For non-delegated loans processed through the LGPC, the Lender submits the loan guaranty request with the loan terms and conditions in E-Tran. SBA will review the application and issue the SBA loan number if the loan is approved.
3. The terms and conditions that must be digitally submitted to E-Tran include:
  - a. 7(a) Lender fees payable to SBA:
    - i. Statement of the Upfront Fee;
    - ii. Statement of Lender's Annual Service Fee;
  - b. Repayment terms;
  - c. Use of Proceeds;
  - d. Guarantors;
  - e. Collateral.
4. Post-approval and prior to final disbursement: For certain changes to the terms of the loan that are made post-approval and prior to final disbursement:
  - a. Loans submitted under non-delegated authority:

Lenders must submit requests for LGPC approval of the following actions. The request must be made by email at [7aLoanMod@sba.gov](mailto:7aLoanMod@sba.gov) and include the SBA Loan Number, how the loan is currently approved (delegated/non-delegated), the proposed change, and why the change is being requested along with any supporting documentation:

    - i. An increase or decrease in the loan amount;
    - ii. An increase or decrease in the guaranty percentage;
    - iii. Any adjustments to or changes in the ownership of the Borrower, including percentage of ownership; or
    - iv. Reinstatement of the guaranty.
  - b. Loans submitted under a Lender's delegated authority:
    - i. Lenders approve increases or decreases in the loan amount directly in E-Tran.
    - ii. Lenders must submit requests to the LGPC at [7aLoanMod@sba.gov](mailto:7aLoanMod@sba.gov) that includes the SBA Loan Number, how the loan is currently approved (delegated/non-delegated), the proposed change, and why the change is being requested along with any supporting documentation to:
      - a) Obtain the prior written consent of the LGPC for any proposed adjustments to or changes in ownership of the Borrower, including percentage of ownership. The Lender may not unilaterally approve such adjustments or changes. The LGPC will approve the proposed modification and enter it into E-Tran after:
        - i) Verification that the proposed changes to the ownership of the

Borrower comply with limitations on the aggregate amount of SBA portions of all loans to a Borrower, including affiliates; and

- ii) Verification that there has been no prior loss to the Government caused by the new owner(s) or any business owned, operated, or controlled by the new owner(s).

The LGPC review will be limited to these specific issues and the delegated Lender remains responsible for all loan decisions regarding creditworthiness. The delegated Lender also is responsible for confirming that all loan closing decisions are correct, and that it has complied with all SBA Loan Program Requirements.

- b) Submit requests for an increase or decrease in guaranty percentage for approval.
- c. Regardless of processing method (non-delegated or delegated): Lenders must inform SBA of certain actions by making the appropriate change using E-Tran Servicing. When the Lender makes the change using E-Tran Servicing, a separate notification to the appropriate SBA center is not necessary (SBA approval of these items is not necessary, and SBA will not respond in writing). These actions include the following:
  - i. Cancellation of the entire loan;
  - ii. Partial cancellation of loan (Lenders, via E-Tran, should change the “Approval Amount” box to reflect the revised loan amount. Do not change the “Original Approval Amount.”);
  - iii. Change in the loan maturity date;
  - iv. Change in the legal name or trade name of the business;
  - v. Change in the Borrower/obligor’s business address;
  - vi. Change in interest rate prior to initial disbursement;
  - vii. Cancel SBA Guaranty prior to initial disbursement; or
- 4. Cancel SBA Guaranty after initial disbursement.

**For the 504 Loan Program:**

- 1. Loan Conditions ([13 CFR § 120.160](#)):
  - a. SBA establishes the wording for the standard 504 E-Tran Terms and Conditions.
  - b. The SBA-authorized E-Tran Terms and Conditions for 504 loans must use the pre-approved conditions that are found in the Boilerplate.
  - c. The party responsible for drafting the SBA E-Tran Terms and Conditions is determined by the program the loan is processed under:
    - i. Regular and ALP: The CDC drafts the SBA E-Tran Terms and Conditions and the SBA finalizes and executes and sends to the CDC for execution

- ii. PCLP: CDC drafts and executes on SBA's behalf
  - d. SBA counsel must review and approve any E-Tran Terms and Conditions with the following exception. When processing a loan under PCLP lending authority, PCLP CDCs may develop E-Tran Terms and Conditions and use them without prior SBA approval, provided they are only used one time. Whenever a PCLP CDC develops and uses a non-standard condition, an explanation for its development must be in the loan file.
2. Disbursement Period, Interest Rates and Loan Maturity:
- a. Disbursement Period: The loan must be disbursed within 48 months from the date of approval. SBA will automatically cancel undisbursed dollars. For Debt Refinance without Expansion, the loan must be disbursed within 9 months from the date of approval. The Denver Finance Center (DFC) will make a reasonable effort to mail an initial message to the CDC approximately 3 months prior to taking action on undisbursed funds. The message will inform the CDC of the undisbursed dollar amount and will provide a date on which the dollars will be automatically cancelled. After the 3-month message has expired, DFC will make a reasonable effort to mail a second message on the day the automatic cancellation is processed.
  - b. Interest Rate: The interest rate for 10, 20, and 25 year 504 debentures is based on market conditions for long-term government debt at the time of sale. [13 CFR § 120.932](#)
  - c. Maturity is 10, 20, or 25 years based upon the remaining useful life of the property being financed, in accordance with Chapter 1, Para. D.2, [Loan Maturities](#).
3. Interim and Third Party Lender Requirements:
- CDC must insert the names of the Interim and Third Party Lenders and the amounts of the loans into the E-Tran Terms and Conditions.
4. Insurance Requirements:
- a. Lender must ensure all appropriate insurance requirements are included in the SBA E-Tran Terms and Conditions.
  - b. Lender must include any other insurance appropriate to the loan, including but not limited to:
    - i. Liability Insurance;
    - ii. Product Liability Insurance;
    - iii. Dram Shop/Host Liquor Liability Insurance;
    - iv. Malpractice Insurance;
    - v. Disability Insurance;
    - vi. Workers' Compensation Insurance; and

vii. Any State specific insurance requirements.

5. IRS Tax Transcript/Verification of Financial Information:

The IRS Tax Transcript/Verification of Financial Information process must be completed in accordance with Section A, Ch. 5, Para. B, [IRS Tax Transcript/Verification of Financial Information](#).

6. Standby Agreements:

- a. [SBA Form 155](#), "[Standby Agreement](#)." CDC may use SBA Form 155 or its own equivalent standby agreement form. A copy of the note must be attached to the standby agreement.
- b. Standby Creditor must subordinate any lien rights in collateral securing the Loan to CDC's rights in the collateral and take no action against Applicant or any collateral securing the Standby Debt without CDC's consent.

7. Assignment of Lease and Landlord's Waiver:

If applicable, the E-Tran Terms and Conditions must include conditions for assignment of lease and landlord's waiver.

8. Construction Loan Provisions:

- a. In the construction of a new building or an addition to an existing building, the CDC must obtain:
  - i. Evidence of compliance with the "National Earthquake Hazards Reduction Program Recommended Provisions for the Development of Seismic Regulations for New Building" (NEHRP), or a building code that has substantially equivalent provisions. ([13 CFR § 120.174](#))
    - a) The NEHRP provisions may be found in the American Society of Civil Engineers (ASCE) Standard 7 and the International Building Code.
    - b) Examples of evidence include a certificate issued by a licensed building architect, construction engineer or similar professional, or a letter from a state or local government agency stating that an occupancy permit is required and that the local building codes upon which the permit is based include the Seismic standards.
  - ii. The E-Tran Terms and Conditions will address the NEHRP provision when any of the use of proceeds options selected includes construction financing, including leasehold improvements. If the leasehold improvements made with loan proceeds will become permanently affixed to any structure on the leased premises, then they must comply with the NEHRP. If the leasehold improvements are only temporary, they do not need to comply with the NEHRP. Accordingly, if the Applicant can demonstrate that the leasehold improvements will be temporary, CDC may request modification of the SBA E-Tran Terms and Conditions to remove the NEHRP provision in accordance with paragraph B., [Modifying the SBA E-Tran Terms and Conditions](#), of this Chapter. The CDC must certify that the Project was completed in accordance

with the final plans and specifications unless a minor portion of the project has been escrowed for a valid reason. ([13 CFR § 120.891](#))

- b. If the interim financing comes from a CDC, the following additional conditions must be required in the E-Tran Terms and Conditions:
  - i. Mortgages must be recorded prior to beginning construction.
  - ii. Inspections must be made by a qualified engineer, appraiser, or other party satisfactory to SBA prior to all progress disbursements.
  - iii. The Applicant must furnish a firm construction contract to the CDC from an acceptable contractor at a specified price, including a provision that no material changes are to be made without the prior written consent of the CDC;
  - iv. The contractor must furnish builder's risk and workers' compensation insurance;
  - v. One complete set of plans and specifications of the proposed construction must be submitted to the CDC;
  - vi. Where the CDC or the Applicant is to inject funds into the construction project, these funds must be used prior to the disbursement of the interim financing;
  - vii. The CDC must make and document periodic inspections of construction; and
  - viii. When loan funds will be used to improve buildings on leased land, assignment of the lease must be obtained.
9. Special Provisions for Personal Property, Equipment and Fixtures as Collateral. If the collateral for the loan includes equipment and/or fixtures:
  - a. The CDC must obtain a list of all equipment and fixtures that are collateral for the loan.
  - b. For items with a unit value of \$5,000 or more, the list must include a description of the equipment/fixture and serial number, if applicable.
  - c. The list should be included in the collateral description (Item 4. COLLATERAL) on the UCC-1 Financing Statement.

10. Certifications of the CDC:

The certifications required of the CDC are listed on [SBA Form 2101](#), "CDC Certification."

11. Certifications of the Borrower:

The certifications required of the Borrower are listed on [SBA Form 2289](#), "Borrower and Operating Company Certification."

12. Certifications of the Interim Lender:

The certifications required of the Interim Lender are listed on [SBA Form 2288](#), "Interim Lender Certification."

504 Loan Program: Modifying the SBA E-Tran Terms and Conditions:

1. The CDC must request in writing SBA's approval of modifications to the terms and conditions of the 504 loan at any time after approval but before funding:
  - a. For an increase or decrease in the amount of an approved loan, the 327 action must clearly support the need for the change in the amount and address the effects on repayment ability, collateral and jobs created or retained. The 327 action must also provide the revised breakdown of the private sector lender, debenture, and Applicant's injection, including a revised use of funds.
  - b. Any adjustments to or changes in ownership of the Borrower, including percentage of ownership. CDCs may not unilaterally approve such adjustments or changes.
2. CDCs may use their unilateral authority to submit the following 327 actions using the 504 E-Tran system:
  - a. 504 Loan Cancellation (prior to closing);
  - b. Borrower, EPC or OC mailing address. Note: CDCs must not exercise unilateral authority to change the address of the Project Property;
  - c. Borrower, EPC or OC phone numbers and email addresses; and
  - d. Principal or guarantor mailing address, phone number, and email address.
3. For loans approved under PCLP authority:
  - a. Generally, PCLP CDCs may modify and extend the E-Tran Terms and Conditions using their unilateral authority. PCLP CDCs must upload the final modified executed Terms and Conditions to E-Tran within 15 business days after debenture funding.
  - b. PCLP CDCs must obtain prior written consent from the SLPC for any adjustments to or changes in ownership of the Borrower, including percentage of ownership, after loan approval. The SLPC will approve the proposed modification and enter it into E-Tran after:
    - i. Verification that the proposed changes to the ownership of the Borrower comply with limitations on the aggregate amount of SBA portions of all loans to a Borrower, including affiliates; and
    - ii. Verification that there has been no prior loss to the Government caused by the new owner(s) or any business owned, operated, or controlled by the new owner(s).
  - c. PCLP CDCs must obtain approval for increases or decreases in the loan amount directly in E-Tran. Approval of the requested increase or decrease in E-Tran will constitute SBA's prior written consent.

4. Post-approval modifications (327 actions) must be submitted to the SLPC through the 504 E-Tran system. Detailed guidance on the 504 E-Tran submission process is available on the SBA website in the 504 E-Tran User Guide for Submitting Loan Applications.
5. Neither the amount nor the maturity of a loan can be modified after the debenture closing has been completed.

## Questions

Questions concerning this Notice may be directed to the Lender Relations Specialist in the [local SBA Field Office](#).

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