



**U.S. Small Business Administration**

**Commercial Loan Servicing  
Center - CLSC**

**Little Rock, AR**

**Lessons Learned**

Visit us at [www.sba.gov](http://www.sba.gov)

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# ***Lessons Learned – CLSC***

## **Loan Amendments**

- Lenders must provide enough details to properly evaluate the request
- Each request should contain
  - Current loan structure per Loan Authorization
  - Proposed new structure
  - Justification for proposed change
- Increases/Decreases
  - Must identify “Use of Proceeds”

# ***Lessons Learned – CLSC***

## **Loan Amendments**

- Subordination / Release of Collateral
  - Must adequately address impact of collateral in analysis
  - Must include before and after collateral analysis
- Deferments
  - Must explain how the borrower intends to make up for deferred periods
  - Must include catch-up plan
    - *re-amortization of the principal balance*
    - *extension of maturity date*

# ***Lessons Learned – CLSC***

## **Loan Amendments**

- Subordination of 504 Project Property
  - Generally not permissible
    - Unless subordination will lead to improvement of property
- Express extensions beyond 7 year maturity
  - Must treat as a Work Out
  - May request up to 3 additional years for maturity
  - Must fully amortize over the remainder of the extended maturity period

# ***Lessons Learned – CLSC***

## **1502 Reporting**

- Do not report a loan as paid in full if
  - Loans transferred from one lender to another
  - Loans re-purchased from the secondary market
  - Revolving lines of credit with \$0 balance

# ***Lessons Learned – CLSC***

## **Reinstatement of cancelled loans**

- Must include reinstatement template
  - [http://www.sba.gov/idc/groups/public/documents/sba\\_program\\_office/bank\\_csc\\_reinstatement.doc](http://www.sba.gov/idc/groups/public/documents/sba_program_office/bank_csc_reinstatement.doc)
- After 12 months from cancellation
  - Detailed explanation required
  - Very difficult to reinstate

# ***Lessons Learned – CLSC***

## **Express Loan Purchases**

- Packages routinely missing
  - Information for each borrower or guarantor
  - Wrap Up Reports
    - Must address all 7 requirements
  - Site Visits Reports
  - Form 1919 not signed and initialed
  - Transcripts
    - Transcript balances do not match balance reported to Colson
- Follow Express Package Purchase Kit

# ***Lessons Learned – CLSC***

## **Repair and Denial Issues**

- Improper use of loan proceeds
- Security Agreement - wrong lien position or lien not perfected
- Lender failed to secure the guaranty of all borrowers/guarantors
- Bankruptcies – failure to file proof of claims with the courts

# ***Lessons Learned – CLSC***

## **Other Lessons Learned**

- Provide only documents requested
  - Unless additional data offers clarification of requested data
- Do not charge off loan and concurrently report the charge as final payment
- Do not charge off any balance prior to submitting to SBA for payment
  - SBA will only pay on reported balance

# ***Lessons Learned – CLSC***

## **Other Lessons Learned**

- If loan purchased on expedited basis
  - Lender must report quarterly on liquidation efforts
  - Lender must notify LRSC when liquidation efforts completed
  - SBA will initiate a Treasury referral upon notification to seek additional recoveries
- LRSC cannot correct errors reported on 1502s
  - Deficiencies must be corrected with Colson