

National Guaranty Purchase Center
Current Issues & Alerts

Question:

What's SBA's requirement when a lender has multiple SBA loans out to the same borrower...what would be the order of application of liquidation proceeds (which SBA loan takes priority? the first one made? lien position dictates? does it matter?)

Answer:

The application of liquidation proceeds is dictated by the lien priority in the collateral from which recovery is obtained. If the loans are of equal priority with respect to collateral, collections must be applied to the SBA loan with the highest guaranty percentage. Similarly, any general collections not associated with specific collateral must be applied to the SBA loan with the highest guaranty percentage.