

- (2) If the loan is sold in the secondary market, you should strongly encourage the lender to repurchase it from the secondary market before making demand on SBA to honor the guarantee.
- (3) The borrower is in default on any installment of principal or interest for more than 60 days (or less if SBA agrees) and the default has not been cured prior to the lender making demand on SBA to purchase.
- (4) The SBA may agree to purchase a loan from the lender, or may request that the lender make demand on SBA, if the loan is less than 60 days past due when:
 - (a) The loan is classified “in liquidation” or “in liquidation-litigation” status; or
 - (b) The SBA invokes its unilateral purchase privilege per paragraph 11 of the 750 agreement (e.g., if SBA decides to purchase and assume servicing of the loan). This decision might arise if the lender has been taken over by FDIC or if there is a conflict of interest between the lender and SBA. (See paragraph 9-13, “What is SBA’s Unilateral Purchase, and When Should SBA Invoke It?”)
- c. For information on all special loan programs, see the Chapter 6, “Special Programs.”

4. Information Required from a Lender.

To complete its purchase request the lender must submit the following.

- a. Written demand letter.**
- b. Certified transcript of account.**

Use SBA Form 1149, Lender’s Transcript of Account, or similar display that reflects the payment receipt dates, the interest rate(s) in effect, the amounts applied to principal and/or interest, and the interest-paid-to date. The transcript must reflect all transactions on the borrower’s account. The lender must certify that the transcript is “a true and correct copy.”

- c. Copies of loan closing instruments.**

- (1) The lender must provide SBA with copies of the executed loan authorization, note and guaranties and, as needed to process a specific purchase request, the lender must also provide copies of collateral documentation with evidence of required lien position, standby agreements, evidence of equity injection, assignment of life insurance, and other documentation required by the authorization and guaranty purchase checklist in Appendix 26.

- (2) If SBA has decided to assume servicing concurrent with the purchase of the guaranty the lender must assign to SBA the original documents mentioned in the previous paragraph. (For the procedure in taking over servicing from the lender, see paragraph 9-17 titled, "Transfer of Loan Servicing from Lender to SBA.")

5. When Must the Lender Submit the Complete Purchase Request?

- a. Regulations:

13 CFR § 120.524.

When is SBA released from liability on its guarantee?

- (a) **SBA is released from liability on a loan guarantee (in whole or in part, within SBA's exclusive discretion), if any of the events below occur...**
...(8) The Lender has failed to request that SBA purchase a guarantee within 120 days after maturity of the loan;...
- b. SBA has no obligation to purchase a loan if the lender has failed to demand purchase within 120 days after the maturity of the loan. The regulations, as stated above, override the 750 agreement which allows 1 year from the date of the loan. The regulations also apply to lines of credit.
- c. The lender must submit the complete purchase request, including the demand, transcript, and closing documentation to SBA within 120 days of the earliest uncured payment default (defined in paragraph 9-6 titled, "Determining the Earliest Uncured Payment Default"), or SBA will pay only 120 days of accrued interest.

Note: This does not apply to loans sold in the secondary market.

6. Determining the Earliest uncured Payment Default.

- a. Regulations:

13 CFR § 120.523.

What is the earliest uncured payment default?

The earliest uncured payment default is the date of the earliest failure by a Borrower to pay a regular installment of principal and/or interest when due. Payments made by the Borrower before a Lender makes its request to SBA to purchase are applied to the earliest uncured payment default. If the installment is paid in full, the earliest uncured payment default date will advance to the next unpaid installment date. If a Borrower makes any payment after the Lender makes its request to SBA to