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Title 13 - Business Credit and Assistance

Chapter I - Small Business Administration

Part 120 - Business Loans

Subpart E - Servicing, Liquidation and Debt Collection Litigation of 7(a) and 504 Loans

SBA'S Purchase of a Guaranteed Portion SBA'S Purchase...

EDITORIAL NOTE ON PART 120

Editorial Note: Nomenclature changes to part 120 appear at 72 FR 50039, Aug. 30, 2007.

§ 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:
 - (1) The Lender has failed to comply materially with any Loan Program Requirement for 7(a) loans.
 - (2) The Lender has failed to make, close, service, or liquidate a loan in a prudent manner;
 - (3) The Lender's improper action or inaction has placed SBA at risk;
 - (4) The Lender has failed to disclose a material fact to SBA regarding a guaranteed loan in a timely manner;
 - (5) The Lender has misrepresented a material fact to SBA regarding a guaranteed loan;
 - (6) SBA has received a written request from the Lender to terminate the guarantee;
 - (7) The Lender has not paid the guarantee fee within the period required under SBA rules and regulations;
 - (8) The Lender has failed to request that SBA purchase a guarantee within 180 days after maturity of the loan. However, if the Lender is conducting liquidation or debt collection litigation in connection with a loan that has matured, SBA will be released from its guarantee only if the Lender fails to request that SBA purchase the guarantee within 180 days after the completion of the liquidation or debt collection litigation;
 - (9) The Lender has failed to use required SBA forms or exact electronic copies; or
 - (10) The Borrower has paid the loan in full.
- (b) If SBA determines, at any time, that any of the events set forth in paragraph (a) of this section occurred in connection with that loan, SBA is entitled to recover any moneys paid on the guarantee plus interest from the Lender. In the exercise of its rights, SBA may utilize all legal means available, including offset and judicial remedies.
- (c) If the Lender's loan documentation or other information indicates that one or more of the events in paragraph (a) of this section occurred, SBA may undertake such investigation as it deems necessary to determine whether to honor or deny the guarantee, and may withhold a decision on whether to honor the guarantee until the completion of such investigation.
- (d) Any information provided to SBA by a Lender or other party will not prejudice, or be construed as effecting any waiver of, SBA's right to deny liability for a guarantee if one or more of the events listed in paragraph (a) of this section occur.
- (e) Unless SBA provides written notice to the contrary, the Lender remains responsible for all loan servicing and liquidation actions until SBA honors its guarantee in full.

[61 FR 3235, Jan. 31, 1996, as amended at 72 FR 18361, Apr. 12, 2007; 82 FR 39503, Aug. 21, 2017]