

## **SUBORDINATION**

In order for the Small Business Administration to process a subordination action on Real Property/Business Assets held as collateral, **please provide the following required information as itemized below.**

### **ATTENTION:**

This requirement letter is not a commitment by the SBA. Any commitment made by the SBA will be provided separately in writing.

Servicing actions cannot be approved without proof of continuing insurance coverage showing SBA as mortgagee as stated below.

All loans must reflect current status before the SBA will process a servicing action. Any incomplete packages are subject to delays and/or may be returned unprocessed. Additional documentation may be required for thorough analysis.

Under most circumstances, SBA will not entertain a request to MOVE from SENIOR lien position to a JUNIOR lien position without monetary consideration, which may include a 50% pay down of SBA's loan balance (if you need further clarification, please contact the Loan Specialist).

The SBA will consider subordination requests to accommodate the refinance of superior liens upon favorable fixed interest rates with reasonable and customary closing costs and no more than (3) month's escrow funds on conventional loans.

The SBA will not entertain any request for "Cash Out" subordination in any amount intended for: Construction Loan, Home Equity – Line of Credit, Debt Consolidation, etc., WITHOUT a 50% pay down on the current SBA loan balance. This pay down is NOT counted towards your regular monthly payment(s), as it will be posted as a principal reduction against the loan balance. Regular monthly payments are not automatically re-amortized; you must qualify for payment reduction.

**Note:** If SBA is in the process of foreclosing on the real estate used to secure your SBA loan, you must contact the SBA employee in the SBA's National Disaster Loan Resolution Center (NDLRC) named in your foreclosure letter to discuss this matter. As to non-bankrupt borrowers/guarantors in foreclosure, collection efforts currently in process will continue until SBA's NDLRC receives the required documentation and approves your request for assistance in writing. There will be no refunds of any offset(s) by the U.S. Department of Treasury during this period.

### **GENERAL REQUIREMENTS (For All Loan Types):**

1. A detailed letter from the borrower(s) and/or guarantors (if any) signed and dated requesting that SBA subordinate its lien due to refinance and authorizing SBA to speak with third parties involved.
2. [Completed Subordination worksheet](#) by lender.
3. Valuation of Collateral: A copy of a recent appraisal (no older than 6 months if loan is in regular servicing; no older than 12 months if loan is in liquidation) prepared by a real estate appraiser with an active real estate appraiser's license. If an appraisal is not available, you may provide alternative forms of valuation, such as comparable sales, market analysis or a property tax assessment (if the property has been reassessed within the last 12 months).
4. Current Title Report/Ownership Encumbrance Report of collateral to be subordinated dated within 6 months.
5. Copies of latest Federal Income Tax Return (all schedules) for last two (2) years

6. Letter to SBA, **signed** by the Lender/Broker, which includes the following information:
  - a. Borrower(s) Name, SBA Loan Number and address of property being refinanced
  - b. New loan amount (**Please make sure the loan amount you provide is accurate as this amount is typed in the Subordination Agreement**).
  - c. Name, address, escrow no., contact and telephone number of the escrow/title company where the Subordination Agreement and Terms & Conditions letter are to be sent.
7. Payoff statements of all senior lien(s) ahead of SBA on collateral being subordinated.
8. Submission of insurance policy's declaration page(s) as proof of Hazard Insurance and Flood Insurance on property to be subordinated, showing SBA as Mortgagee. **MORTGAGEE CLAUSE** is: United States Small Business Administration, an Agency of the government of the United States of America, (Select and enter name and address of applicable center per below):
  - a. Birmingham DLSC – 801 Tom Martin Drive, Suite #120, Birmingham, AL 35211
  - b. El Paso DLSC - 10737 Gateway West, Suite #300, El Paso, TX 79935
  - c. Santa Ana NDLRC - 200 W Santa Ana Blvd, Suite #180, Santa Ana, CA 92701
9. If the property to be subordinated is not within a Special Flood Hazard Area (SFHA), provide written verification (i.e. appraisal, insurance company provided confirmation and map). If property is within a Special Flood Hazard Area, you will be mandated to provide Flood Insurance naming SBA as Mortgagee, with coverage amount equal to the insurable value of the property, or the maximum coverage available, whichever is less.
10. Copy of the Loan Application (must include new **interest rate and term** of the loan)
11. Copy of the Estimated Closing Statement - HUD1.
12. Completed, signed and dated Financial Statement of Debtor ([SBA Form 770](#)) sheet.
13. Written authorization allowing SBA to discuss the loan with a third party involved in this transaction. Letter should include Name, address and telephone number of the closing attorney/escrow agent.
14. Borrower's Consent to Verify Information and 3<sup>rd</sup> Party Authorization ([Birmingham Form](#), [El Paso Form](#), [Santa Ana Form](#)) signed by all SBA borrower(s) and guarantor(s) (if any).

**ADDITIONAL REQUIREMENTS (For Business Loans):**

15. Interim financial statement - balance sheet and profit & loss statement **current within 90 days**.
16. UCC Lien Searches of the business assets to be subordinated dated within 6 months (if applicable).

**Packages can be electronically uploaded or sent via regular mail:**

- (1) Electronic upload:
  - a. [Upload to Birmingham DLSC](#)
  - b. [Upload to El Paso DLSC](#)
  - c. [Upload to Santa Ana NDLRC](#)

(2) Regular mail: Mail to the appropriate center:

- a. US SBA, Birmingham DLSC – 801 Tom Martin Drive, Suite #120, Birmingham, AL 35211
- b. US SBA, El Paso DLSC - 10737 Gateway West, Suite #300, El Paso, TX 79935
- c. US SBA, Santa Ana NDLRC - 200 W Santa Ana Blvd, Suite #180, Santa Ana, CA 92701