

## **RELEASE OF COLLATERAL**

In order for the U.S. Small Business Administration (SBA) to consider your request for a Partial or Full Release of Collateral action, **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.

Please be advised that SBA will require "Monetary Consideration" to execute the Release of Collateral as pay down against the SBA loan balance. A pay down for consideration are not regular payments; however, will reduce your loan's principal balance. Regular monthly payments are not automatically re-amortized; you must qualify for payment reduction.

All collateral documents now in place will remain in effect and all Borrowers/Guarantors will remain legally obligated under the existing terms of the Note, until such Note is paid in full.

If the sale of the property does not pay the loan in full, it is SBA's policy not to allow the Borrower/Guarantor to receive any proceeds from the transaction.

If SBA is in FIRST lien position, NET SALES proceeds must be remitted to the SBA as a principal reduction. This is to include any and all earnest money from Buyer to Seller. Failure to remit Net Sale Proceeds and Earnest money (if any) as instructed may cause the request for Release of Collateral to be declined.

**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 explaining the reasons for requesting that SBA release its lien. If applicable, explain why the SBA is not to be paid in full as a result of this transaction and disclosing any association you may have with the purchaser (relative, business partner, etc.). Specify the amount of consideration SBA is to receive. In addition, if your loan is not current, provide an explanation on how you intend to bring your loan current and maintain regular monthly payments.
2. 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). The valuation is for the property to be RELEASED and to REMAIN as collateral.

3. Current Title Report/Ownership Encumbrance Report of collateral to be **released** and any collateral to **remain** as security on this loan dated within 6 months.
4. The verified balance(s) of any and ALL prior liens superior to SBA's position (please include payoff statement or similar document from lien holders); from the properties to be RELEASED and to REMAIN as collateral.
5. Submission of insurance policy's declaration page(s) as proof of Hazard Insurance and Flood Insurance on property to remain as collateral, 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
6. If property to REMAIN 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.
7. 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).
8. Completed, signed and dated Financial Statement of Debtor ([SBA Form 770](#)) sheet.
9. Copies of your latest Federal Income Tax return (all schedules) for last two (2) years.
10. Copy of a fully executed purchase contract including all counter offers and addendums (if applicable)
11. Copy of HUD Settlement Statement if selling. It must state "Pay Down" to SBA and not "Pay Off", if the SBA loan is not being paid in full.
12. For 1<sup>st</sup> lien Short Sale: Estimated Settlement Statement (HUD-1); it must state "Pay Down" to SBA and not "Pay Off". Additionally;
  - a) If SBA is a JUNIOR lien holder, specify how much money is coming to SBA from the Short Sale, either from remainder after paying off the SENIOR lien or the amount that the SENIOR lien holder will permit SBA to receive.
  - b) A letter from senior lien holder stating that the Short Sale is being accepted.
13. Written authorization allowing SBA to discuss this loan with a third party involved with this transaction. Name, address, and telephone number of the closing attorney/escrow agent.

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

14. Interim financial statement - balance sheet and profit & loss income statement **current within 90 days**.
15. UCC lien Searches of the business assets being **released** and any collateral to **remain** as security on this loan 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