



# SBA Procedural Notice

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**TO:** All SBA Employees, 7(a) Lenders, Certified Development Companies, and Microloan Intermediaries

**CONTROL NO.:** 5000-20095

**EFFECTIVE:** February 16, 2021

**SUBJECT:** Adjustment to Number of Months of Section 1112 Payments in the 7(a), 504 and Microloan Programs Due to Insufficiency of Funds

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On January 19, 2021, SBA issued two Notices in which it set forth the number of months of Section 1112 payments that covered loans in the 7(a), 504 and Microloan Programs would receive under Section 1112(c)(1) of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), as amended by Section 325 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act), enacted December 27, 2020, Pub. L. 116-260:

- SBA Procedural Notice 5000-20079, “Guidance on the Implementation of the Extension of the Section 1112 Debt Relief Program for the 7(a) and 504 Loan Programs, as Authorized by Section 325 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act”, effective January 19, 2021, and
- SBA Procedural Notice 5000-20080, “Guidance on the Implementation of the Extension of the Section 1112 Debt Relief Program for the Microloan Program, as Authorized by Section 325 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act”, effective January 19, 2021.

SBA has determined that the \$3.5 billion that was appropriated to carry out Section 325 of the Economic Aid Act is insufficient to make the payments for the periods authorized by Section 1112(c)(1) of the CARES Act, as amended by Section 325 of the Economic Aid Act. In accordance with Section 1112(c)(7)(B), SBA has developed a plan to proportionally reduce the number of months provided for each category of loans described below, while ensuring that all amounts made available for the Section 1112 payments are fully expended. Under the plan, SBA will make the Section 1112 payments as described below (Adjustment Plan). This Adjustment Plan is effective immediately and will be applied to the Section 1112 payments that SBA makes beginning with the payments made in February 2021.

For the February payments, Lenders in the 7(a) Loan Program do not need to correct the loan data that they submitted through the CARES Act menu of the 1502 Dashboard on the FTA’s

website (Section 1112 Report). SBA will adjust the number of months of payments for the covered loan based on the Adjustment Plan. In the event that the payment made by SBA results in an underpayment or an overpayment, refer to Section IV of SBA Procedural Notice 5000-20079 for instructions related to reconciliation of payments.

Except as provided in this Notice, all other guidance provided by SBA in SBA Procedural Notices 5000-20079 and 5000-20080 continues to apply.

#### A. Newly Eligible First Round Loans

For a 7(a) or a 504 loan that was approved on or before September 27, 2020 and fully disbursed on or after September 28, 2020 (referred to as “Newly Eligible First Round Loans” in Procedural Notice 5000-20079), SBA will make the Section 1112 payments for a 3-month period (instead of a 6-month period). (Note that, for loans that were approved and fully disbursed on or before September 27, 2020, SBA will continue to make the Section 1112 payments for a 6-month period, as authorized under the original CARES Act.)

#### B. Second Round Section 1112 Payments for 504 and 7(a) Loans (except for loans made under the Community Advantage Pilot Program) Approved Before March 27, 2020

1. For all 504 and 7(a) loans (except for loans made under the Community Advantage Pilot Program, referred to hereafter as Community Advantage Loans) that were approved before March 27, 2020, SBA will make the Section 1112 payments for a 2-month period (instead of a 3-month period). This 2-month period of Section 1112 payments may cover amounts that are past due at the time that SBA makes the February Section 1112 payment, subject to the monthly payment limit of \$9,000.
2. If the 504 or 7(a) loan is made to a borrower that, according to the records of SBA, is assigned a North American Industry Classification System code beginning with 61, 71, 72, 213, 315, 448, 451, 481, 485, 487, 511, 512, 515, 532, or 812, SBA will make the Section 1112 payments for an additional 3-month period (instead of an additional 5-month period) immediately following the end of the 2-month period provided in paragraph B.1 above. SBA will not begin to make the payments for this additional 3-month period until SBA provides to 7(a) Lenders and CDCs a list of their respective borrowers with each borrower’s assigned NAICS code.

#### C. Second Round 1112 Payments for Community Advantage Loans and Microloans Approved Before March 27, 2020

For Community Advantage Loans and Microloans that were approved before March 27, 2020, SBA will make the Section 1112 payments for a 5-month period (instead of an 8-month period). For Community Advantage loans, for the February Section 1112 payments, SBA will make a maximum of 2 months which may be applied to past due amounts (not to exceed 120 days). If additional funds are needed to cover past due amounts, the remaining 3 months of payments in

March may be applied to cover additional past due amounts. All payments made are subject to the monthly payment limit of \$9,000.

**D. New Loans Approved Beginning on February 1, 2021 and Ending on September 30, 2021**

For a new 7(a) loan, 504 loan, or Microloan approved during the period beginning on February 1, 2021 and ending on September 30, 2021, SBA will make the Section 1112 payments for a 3-month period instead of a 6-month period, subject to the availability of funds.

**E. No Second Round 1112 Payments for Loans Approved Between March 27, 2020 and September 27, 2020.**

A loan that was approved during the period beginning on March 27, 2020 and ending on September 27, 2020 is eligible for the first round of Section 1112 payments either for a 6-month period if the loan was fully disbursed on or before September 27, 2020 or for a 3-month period if the loan was fully disbursed after September 27, 2020. Under the Adjustment Plan, no other Section 1112 payments will be made for these loans.

**Questions**

Questions concerning this Notice may be directed to the Lender Relations Specialist in the [local SBA Field Office](#). Questions may also be submitted through the SBA email box dedicated to Section 1112, [Section1112@sba.gov](mailto:Section1112@sba.gov).

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