



U.S. Small Business
Administration

Central Servicing Agent

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Guidehouse

Contents

Section	Slide(s)
Introduction	4
Background	9
COVID-19 504 Batch Deferment Spreadsheet Step-by-Step	12
Additional Information	17
Questions	19
Contact Information	20

Introduction

504 Loan Funding, Servicing, and Deferments

Funding, Servicing, and Deferments during COVID-19

The COVID-19 pandemic is causing widespread stress on small businesses. The SBA continues to release procedural notices to support small businesses during this difficult time. Two of these notices are particularly important for the 504 community:

- The **SBA Procedural Notice released March 19, 2020** titled *Guidance on Deferments for 504 Loans for Businesses Adversely Affected by Coronavirus Disease 2019 (COVID-19)-related Economic Disruptions* provides guidance for CDCs in regard to deferments for 504 Loan borrowers with outstanding 504 loans. Given this, the CSA has increased deferment processing capacity and is introducing an updated method for CDCs to transmit batch deferments to the CSA.
- An **SBA Procedural Notice** to be released will give guidance on 504 Funding and Adverse Changes impacting 504 loans. The CSA will continue to fund debentures and will place the newly funded debentures into an automatic three month deferment.

The following slides will discuss the operational impacts to CDCs as a result of the procedural notices mentioned above.

Loans Funding in April, May & June

The Problem:

SBA has determined that newly funding loans have experienced an **adverse change**. The SBA will still fund debentures, and CDCs will be required to submit an adverse change document. For more information, please refer to **SBA Procedural Notice**.

The Solution:

All loans set to fund in April will still be funded, but will be automatically placed in a three month deferment due to COVID-19 causing an **adverse change** in the current economic and business environment. Note that **the CSA Cutoff date will remain the same**. The Pulled Loan Cutoff Date also remains the same, April 6.

What it means for CDCs:

CDCs should communicate with borrowers that newly funding loans will be deferred for a minimum of three months.

Active Loans – April ACH

Current Status:

The CSA has processed deferments submitted by the March 20 deadline (this past Friday), and will not be able to process deferment requests subsequently and prior to the ACH systemic run on April 1.

The Solution:

If a borrower is at risk, the CDC should instruct the borrower to work with its bank to reject the April 1 ACH transaction. They must reject the transaction within 48 hours. The CSA will not be providing refunds if the April 1 ACH debit goes through, so CDCs should reach out to borrowers if they didn't get the deferment request in by March 20.

What it means for CDCs:

If a Deferment was submitted on or before March 20, the deferment is in place and the borrowers ACH will not be debited. If the borrower needs to miss the April 1 ACH, **the borrower must be instructed to contact their bank** as described above. A deferment can be processed retroactively for April. Note that deferments are intended to help businesses in need and are optional.

Active Loans – May ACH and beyond

The Problem:

SBA is offering loan deferments for up to six months on active loans. This creates an increase in Deferment and Catch-Up plan requests.

The Solution:

The CSA has created a batch Deferment Request process that uses an Excel template to be completed by each CDC. The new process is for full deferments with standard catch-up plans. If a CDC would like a partial deferment or a step-up catch-up, they should follow the current loan-by-loan CDC 504 Deferment and Catch-Up plan process.

What it means for CDCs:

Instead of completing the CDC 504 Deferment and Catch-Up Form for each loan, CDCs should complete the new Excel template with batches of loans and submit to CSA for processing. Deferral requests can be made starting with the May payment.

Background

Current 504 Deferment Process Overview

The current Deferment and Catch-Up process involves CDCs completing the 504 Deferment and Catch-Up Form and submitting deferments to CSA on a loan-by-loan basis.

Actor	Action
CDC & Borrower	Complete 504 Deferment and Catch-Up Form
CDC	Sends the completed form to SBA504CSA@wellsfargo.com
CSA User	Checks for completeness and accuracy
CSA User	Enters the request into ETRAN, generates a plan and sends it to the CDC
CDC	Signs and returns plan to CSA after reviewing with borrower
CSA User #2	Reviews the plan and changes status to approved
CSA User	Uploads signed plan to CAFS and changes status to approved

COVID-19 504 Batch Deferment Process Overview

The COVID-19 504 Batch Deferment Process **allows CDCs to submit multiple 504 Deferments** in a new Excel template and submit the form to CSA for processing. Batch deferments will be reflected in the May 1 debit. For deferments submitted to CSA after March 20, please resubmit the deferments using the new batch process.

Newly Funding Loans will be automatically deferred and should not be entered into the Batch Deferments spreadsheet.

Actor	Action
CDC & Borrower	CDC attains written borrower approval of deferment
CDC	Complete the new 504 Deferment and Catch-Up Excel Sheet
CDC	Sends the completed excel sheet to SBA504CSA@wellsfargo.com
CSA User	Checks for completeness and accuracy
CSA User	Creates a master excel file with multiple deferment/catchup requests
CSA User	Initiates macro, which does the following: <ul style="list-style-type: none"> • Creates deferment & catchup plans in ETRAN based on master file • Changes status to “pending review”
CSA User #2	Changes status to reviewed, send plan to CDC to review with borrower
CDC	Review/sign plan with borrower, return to CSA
CSA User	Changes status to approved

**COVID-19 504 Batch
Deferment Spreadsheet
Step-by-Step**

Step 1: Review Spreadsheet Instructions Tab

The 504 Deferment and Catch-Up spreadsheet will be emailed to CDCs. The Instructions tab of the spreadsheet contains instructions for how to properly submit the information.

	A	B
1	Instructions:	
2		
3	1. This Excel spreadsheet should be used to replace the Catch-up and Deferment Request form to allow CDCs to request multiple deferment/catch-up plans at one time.	
4	2. Only use this Excel spreadsheet when requesting a full deferment starting this month or the following month, or for a full retroactive deferment.	
5	3. Only standard catch-up periods are allowed on this template.	
6	4. Only use this Excel spreadsheet if the requested loans have never been on deferment and are requesting a deferment of 6 months or less.	
7	5. Catch-up periods can be up to 10 years or before the maturity date, whichever is closer.	
8	6. Please note that any errors in the spreadsheet will cause delays. Therefore, please complete it carefully.	
9	a. Loan Number - Must be a valid 504 Loan that was in "Regular Servicing" status on March 12, 2020	
10	b. First Month of Deferment - This is the first month of the deferment (for example - 04/01/2020 or 05/01/2020)	
11	c. Last Month of Deferment - This is the last month of the deferment (for example - 06/01/2020 or 07/01/2020)	
12	d. Last Month of Catch Up - This field will be defaulted to the month following the Last Month of Deferment	
13	e. Last Month of Catch Up - This is the last month of catch-up (for example - 06/01/2025 or 07/01/2030)	
14	7. Once you gather the information from the borrowers (and their consent), please send an email to the CSA and attach the Excel spreadsheet.	
15	8. Please add the terms below to each email that you send to the CSA for Deferment of the loans using this streamlined process.	
16	9. If you would like to request a partial deferment, step up catch up period, or late fee waiver, please use the existing process to complete the Catch-up and Deferment Request form. Do not use the Excel spreadsheet.	
17		
18		
19	Terms:	
20	All of the SBA 504 borrowers in the attached Excel spreadsheet have provided their written consent for a Deferment.	
21	The First Month of Deferment, Last Month of Deferment and the Last Month of Catch Up are accurate and the CDCs and borrowers will abide by the data provided in the Excel spreadsheet.	
22	The CDC can update their borrower's Catch-up plans with the CSA anytime within the next 6 months.	
23	The CDC is responsible for getting the borrower back on ACH in the month prior to the catch-up period beginning.	
24	CDC's must follow SBA Policy SOP 50 55 and SBA procedural notice 5000-20008 in terms of submitting deferments.	
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Step 2: Complete Spreadsheet Data Tab

On the Data tab, CDCs should list the 10 digit loan number, the first month of deferment, the last month of deferment, and the last month of Catch-Up.

	A	B	C	D	E	F
2	<i>Enter the 10 digit Loan number.</i>	<i>Enter the first month of the deferment period. Format must be mm/1/yyyy.</i>	<i>Enter the last month of the deferment period. Format must be mm/1/yyyy.</i>	<i>Enter the last month of the catch-up period. Format must be mm/1/yyyy. The first month of the catch-up period is the month following the last deferment period.</i>		
3	Loan Number	First Month of Deferment	Last Month of Deferment	Last Month of Catch-Up		
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Spreadsheet Data Tab

Example

	A	B	C	D	E	F
2	<i>Enter the 10 digit Loan number.</i>	<i>Enter the first month of the deferment period. Format must be mm/1/yyyy.</i>	<i>Enter the last month of the deferment period. Format must be mm/1/yyyy.</i>	<i>Enter the last month of the catch-up period. Format must be mm/1/yyyy. The first month of the catch-up period is the month following the last deferment period.</i>		
3	Loan Number	First Month of Deferment	Last Month of Deferment	Last Month of Catch-Up		
4	1111111111	4/1/2020	7/1/2020	8/1/2021		
5	2222222222	5/1/2020	9/1/2020	10/1/2025		
6	3333333333	4/1/2020	9/1/2020	10/1/2022		

Step 3: Submit Batch Deferments to CSA

Submission Email Format

How should my email to SBA504CSA@wellsfargo.com look?

- Subject Line: **COVID19_Deferment_Catchup_Request**
- Remember to attach your spreadsheet!

Timing

When should I send in my completed excel sheet to the CSA?

To the extent possible, please consolidate your batch deferral requests. Sending a weekly file at the end of each week with all deferrals received that week is preferred. **Note: the deferment request deadline (20th of every month) remains the same throughout this new process**

Accuracy Check

What will CSA Analysts be checking for? Here are some examples:

- Loan is **active** and in “**regular servicing**” status
- Catchup payments are **higher than regular payments**
- Catchup period is **less than 10 years**
- Catchup period **ends before loan maturity date**

Additional Information

Important Information to Remember

Deferment Deadline

Deferment Submission Deadline **remains the 20th of the month.**

April 1 Debit

If a deferment was not submitted by the March Deadline (March 20) the April 1st debit will still occur. In order to prevent the debit from occurring the CDC and borrower should work together to **contact the bank and have the ACH payment rejected.** Batch deferments that are received by the April Deadline (April 20) will go into effect beginning with the May 1 Debit.

Deferment Processing and Retroactive Deferments

The CSA has increased its deferment processing capacity and is **working to process deferments as quickly as possible.** All Deferment Requests for active loans in regular servicing are accepted. **Deferments can be made retroactively to March.**

Questions?

Ask your questions using the chat box

Contact Information

Please direct deferment spreadsheet questions to:

- **CSA Email:** sba504csa@wellsfargo.com (email is preferred during COVID-19)
- **CSA Phone:** 1 (855) 572-1637