

§ 120.442 Suspension or revocation of CLP status.

The AA/FA may suspend or revoke CLP status upon written notice providing the reasons at least 10 business days prior to the effective date of the suspension or revocation. Reasons for suspension or revocation may include a loan performance record unacceptable to SBA, failure to make the required number of loans under the expedited procedures, or violations of applicable statutes, regulations or published SBA policies and procedures. A CLP Lender may appeal the suspension or revocation made under this section under procedures found in part 134 of this chapter. The action of the AA/FA shall remain in effect pending resolution of the appeal.

Preferred Lenders Program (PLP)

§ 120.450 What is the Preferred Lenders Program?

Under the Preferred Lenders Program (PLP), designated Lenders process, close, service, and liquidate SBA guaranteed loans with reduced requirements for documentation to and prior approval by SBA.

§ 120.451 How does a Lender become a PLP Lender?

(a) An SBA field office serving the area where a CLP Lender's office is located can nominate a CLP Lender or a CLP Lender can request a field office to consider it for PLP status. The SBA field office will forward its recommendation to an SBA centralized loan processing center which will submit its recommendation and supporting documentation to the AA/FA for final decision.

(b) In making its decision, SBA will consider whether the CLP Lender:

- (1) Has the required ability to process, close, service and liquidate loans; and
- (2) Has the ability to develop and analyze complete loan packages; and
- (3) Has a satisfactory performance history with SBA.

(c) If the Lender is approved, the AA/FA will designate the area in which it can make PLP loans.

(d) Before it can operate as a PLP Lender, the approved CLP Lender must execute a Supplemental Loan Guarantee Agreement, which will specify a term not to exceed two years.

(e) When a PLP's Supplemental Loan Guarantee Agreement expires, SBA may recertify it as a PLP Lender for an additional term not to exceed two years. Prior to recertification, SBA will review a PLP Lender's loans, policies and procedures. The recertification decision of the AA/FA is final.

(f) A PLP Lender may request an expansion of the territory in which it can process PLP loans by submitting its request to a loan processing center. The center shall obtain the recommendation of each SBA office in the area into which the PLP Lender would like to expand its PLP operations. The center shall forward the recommendations to the AA/FA for final decision. If a PLP Lender is not already a CLP Lender in a territory into which it seeks to expand its PLP status, it will automatically obtain CLP status in the territory without approval from the District Office when it is granted its extension of PLP status into that territory.

§ 120.452 What are the requirements of PLP loan processing?

(a) Subparts A and B of this part govern the making of PLP loans, except for the following:

(1) Certain types of businesses, loans, and loan programs are not eligible for PLP, as detailed in published SBA policy and procedures.

(2) A Lender may not use the PLP procedure to reduce its existing credit exposure for any Borrower.

(3) SBA will guarantee no more than the specified statutory percentage of any PLP loan. (b) A PLP Lender notifies SBA of its approval of a PLP loan by submitting to SBA's loan processing center appropriate documentation signed by two of the PLP's authorized representatives. SBA will attach the SBA guarantee and notify the PLP Lender of the SBA Loan Number (if it does not identify a problem with eligibility, and funds are available).

(c) The PLP Lender is responsible for the correctness of all PLP loan decisions regarding eligibility (including size), creditworthiness, loan closing, and compliance with all requirements of law or SBA regulations.

§ 120.453 What are the requirements of PLP loan servicing and liquidation?

The PLP Lender must service and liquidate its SBA guaranteed loan portfolio (including its non-PLP loans) using generally accepted commercial banking standards employed by prudent lenders. The PLP Lender must liquidate any defaulted SBA guaranteed loan in its portfolio unless SBA advises in writing that SBA will liquidate the loan. The PLP Lender must submit a liquidation plan to SBA prior to commencing liquidation action, if possible. The PLP Lender may take any necessary servicing action, or liquidation action consistent with a plan, for any SBA guaranteed loan in its portfolio, except it may not:

(a) Take any action that confers a Preference on the Lender;

(b) Accept a compromise settlement without prior written SBA consent; and

(c) Sell or pledge more than 90 percent of a PLP loan.

§ 120.454 PLP performance review.

SBA may review the performance of a PLP Lender. SBA may charge the PLP Lender a fee for this review.

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Small Business Lending Companies (SBLC)

§ 120.470 What is an SBLC?

A Small Business Lending Company (SBLC) is a nondepository lending institution engaged solely in the making of loans under section 7(a) (except section 7(a)(13)) of the Act in participation with SBA. SBA supervises, examines, and regulates SBLCs. An SBLC is subject to all applicable SBA regulations, including those governing Lenders. This program has been closed to new licenses since January, 1982. In addition to complying with § 120.400–120.413, an SBLC must meet the following requirements:

(a) *Business structure.* It must be a corporation (profit or non-profit).

(b) *Written agreement.* It must sign a written agreement with SBA with terms satisfactory to SBA.

(c) *Capital structure.* It must have unencumbered paid-in capital and paid-in surplus of at least \$1,000,000, or ten percent of the aggregate of its share of all outstanding loans, whichever shall be more.

(d) *Capital impairment.* It must avoid capital impairment at all times. Impairment exists if the retained earnings deficit of an SBLC exceeds 50 percent of combined paid-in capital and paid-in-surplus, excluding treasury stock. An SBLC must give SBA prompt written notice of any capital impairment