



SBA Information Notice

TO: All Employees

CONTROL NO.: 5000-1194

SUBJECT: Revised SBA Form 1086,
Secondary Participation Guaranty
Agreement and Form 1502,
Guaranty Loan Status & Lender
Remittance Form

EFFECTIVE: 1/28/2011

The U.S. Small Business Administration (SBA) has received approval from the Office of Management and Budget to use revised SBA Forms 1086 and 1502. The Form 1086, Secondary Participation Guaranty Agreement (Form 1086) is used in the 7(a) loan program to document sales of guarantees in the secondary market. The Form 1502, Guaranty Loan Status and Lender Remittance Form (Form 1502) is used by Lenders to report on the status of all SBA loans approved. These revisions supersede all prior versions of the forms, and are to be put into effect on the dates detailed below.

The revision to the Form 1502 involved only a date update and logo and did not involve changes in the current format.

The Form 1086 has been updated to include clarifications to prevailing program rules along with additional lender certifications. More importantly, the revised form removes all reference to a warranty period for loans sold at a premium in the secondary market. A change in financial accounting rules issued in June 2009 restricted lenders from recognizing gain from premiums earned on secondary market sales until the end of the warranty period. SBA solicited public comment by Federal Register Notice on March 19, 2010 on just how this accounting rule change should be applied to SBA secondary market sales (FR Vol. 75, No 53, pages 13329-13330). Upon review of submitted comments, SBA concluded that it is in the best interest of the program at this time to remove the warranty provisions from the form.

Lenders and investors can access the revised SBA Form 1086 and Form 1502 at the website for SBA's fiscal and transfer agent Colson Services Corp. ("Colson"):

http://www.colsonservices.com/main/f_n_r_main.shtml

or via hyperlink to the Colson from SBA's website:

<http://archive.sba.gov/aboutsba/sbaprograms/elending/1502/index.html>.

The Form 1502 is to be implemented in the month of March for reporting loan payment activity occurring through February 28, 2011. The Form 1086 is effective for all loans submitted for secondary market sales settlement on or after February 15, 2011. We believe a number of loan sale commitments using the older version of the form have already been arranged. Therefore, sales settlement packages received by Colson will be accepted using either version of the form.

EXPIRES: 1/1/2012

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SBA Form 1353.3 (4-93) MS Word Edition; previous editions obsolete
Must be accompanied by SBA Form 58

All sales settlement packages received at Colson after February 14, 2011, must use the February 2011 version of form with older versions returned to the sender for proper re-submission.

Please address any questions on the new SBA Form 1086, version February 2011, to Marybeth Kerrigan at mary.kerrigan@sba.gov.

Grady B. Hedgespeth
Director
Office of Financial Assistance