



SBA FORM 1502

FREQUENTLY-ASKED QUESTIONS

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I. COLSON SERVICES CORP.**a) Who is Colson Services Corp.?**

Colson Services Corp. ("Colson") is the fiscal transfer agent ("FTA") for the U.S. Small Business Administration's ("SBA") 7(a) Secondary Market Program. SBA has designated Colson as the collection agent for guaranty balance and loan status information, and for SBA's basis-point fees.

b) Who can I call at Colson with questions on the SBA Guaranty Loan Program?

Please contact our Customer Service Group at (877) 245-6159.

II. SBA FORM 1502**a) What is SBA Form 1502?**

SBA Form 1502 is the standard remittance form used to report information on the 7(a) loans in a lender's portfolio, such as secondary market payments, guaranty balance and loan status information (previously reported on SBA Form 1175), and SBA's basis-point fees. Note: SBA's fee applies to loans approved on or after 10/12/95.

b) When is my SBA Form 1502 due to Colson?

The SBA Form 1502 is due to Colson monthly, on the third calendar day of the month (or the next business day thereafter if the third is not a business day) plus a two-business-day grace period. See "Schedule of Payment Due Dates."

c) Where do I send my completed SBA Form 1502?

Use of electronic media is mandatory per SBA's SOP. Colson will accept a spreadsheet sent via e-mail to 1502@colsonservices.com, or 1502 data submitted through Colson's online facilities—*The 1502 Connection* and *The 1502 Dashboard*.

d) What time period does the reporting period cover?

The reporting period covers the first of the month through the last day of the month.

Example: For a reporting period of 01/01/18 to 01/31/18, the FTA due date is 02/07/18.

e) How long do I have before I start reporting on an SBA Guaranteed Loan?

SBA recommends that a lender begin reporting on a loan 90 days subsequent to the loan's approval date, regardless if the loan has not been closed or disbursed.

f) Why must I report payment information related to the guaranteed portion of the loan if the loan is not subject to SBA's fee and is unsold?

The Department of Treasury has mandated the collection of payment information by SBA under the Credit Reform Act. SBA is collecting guaranteed portion payment information, rather than information on 100% of loan, in an effort to standardize the 1502 Form. Therefore, payment information is required on all loans with an SBA guaranty.

g) If the borrower does not make a scheduled payment in the reporting period, do I report on the loan?

Yes. Guaranty balance and loan status information must be reported monthly regardless of the lender's receipt of borrowers' payments. Be sure to include the *Guaranteed Portion Closing Balance* and *Interest To* date as of the last borrower payment received. The *Next Installment Due Date* is the due date for the missed payment.

h) A borrower made two payments this month, one for last month and one for the current month. Does the lender have to show the two payments on separate lines?

No. The lender can combine them into one line. If an unsold loan has a fee, make sure that the "revolving line of credit" formula is used when calculating SBA's basis-point fees. **Exceptions:** if a loan was unsold in month one but sold in month two, then the lender cannot show the payments on one line. The fee payment and secondary market payment must be reported separately. Further, two secondary market payments both with principal and interest must be reported separately.

Note – Per SBA SOP 50 57, Chapter 4, Paragraph A, 1.a: "Funds from payments received on loans in regular servicing status must first be applied to interest accrued to the date the payment was received;"

III. SBA's BASIS-POINT FEE

a) Which loans are subject to SBA's basis-point fee?

Fee Rate Calculated by Lender on Guaranteed Portion	Affected Population
SBA 50 Basis Point Fee (.0050)	○ 7(a) loans approved 10/12/95 thru 09/30/02
SBA 25 Basis Point Fee (.0025)	○ 7(a) loans approved 10/01/02 thru 04/04/04 ○ STAR loans
SBA 36 Basis Point Fee (.0036)	○ 7(a) loans approved 04/05/04 thru 09/30/04
SBA 50 Basis Point Fee (.0050)	○ 7(a) loans approved 10/01/04 thru 09/30/05
SBA 54.5 Basis Point Fee (.00545)	○ 7(a) loans approved 10/01/05 thru 09/30/06
SBA 55 Basis Point Fee (.0055)	○ 7(a) loans approved 10/01/06 thru 09/30/07
SBA 49.4 Basis Point Fee (.00494)	○ 7(a) loans approved 10/01/07 thru 09/30/08
SBA 55 Basis Point Fee (.0055)	○ 7(a) loans approved 10/01/08 thru 09/30/13
SBA 52 Basis Point Fee (.0052)	○ 7(a) loans approved 10/01/13 thru 09/30/14
SBA 51.9 Basis Point Fee (.00519)	○ 7(a) loans approved 10/01/14 thru 09/30/15
SBA 47.3 Basis Point Fee (.00473)	○ 7(a) loans approved 10/01/15 thru 09/30/16
SBA 54.6 Basis Point Fee (.00546)	○ 7(a) loans approved 10/01/16 thru 09/30/17

SBA 55 Basis Point Fee (.0055)	<ul style="list-style-type: none"> ○ 7(a) loans approved 10/01/17 thru 09/30/18 ○ 7(a) loans approved on or after 10/01/18
Authorized Fee Relief (Zero Fee)	<ul style="list-style-type: none"> ○ 7(a) loans approved 10/01/13 thru 09/30/16 <u>AND</u> Gross Approval Amount ≤ \$150,000 (single loan or gross aggregate of companion loans within 90 days) ○ 7(a) loans approved on or after 10/1/2018 where operation concern is in a rural area or HUBZone as determined by SBA <u>AND</u> Gross Approval Amount ≤ \$150,000 (single loan or gross aggregate of companion loans within 90 days) ○ ARC Loans
Fee calculated by Colson from the secondary market pass-through interest. Lenders do not remit separately.	<ul style="list-style-type: none"> ○ Sold Loans [i.e. SBA 7(a) Secondary Market]

SBA Microloans are not subject to SBA's fee but are subject to loan status reporting. For *unsold loans*, lenders must calculate and remit the SBA basis-point fee. For *sold loans*, Colson deducts the SBA basis-point fee from the interest remitted by the lender, so a separate fee remittance for sold loans is not necessary.

b) Do I have to pay a SBA basis-point fee on loans approved prior to October 12, 1995?

Unsold loans approved before October 12, 1995 are not subject to an SBA fee unless they have been sold into the secondary market. All loans approved before October 12, 1995 and sold after August 31, 1993 are subject to SBA's 40-basis-point fee, which is deducted by Colson from the interest remitted by the lender.

c) What is the loan approval date?

The date the SBA signs the Loan Authorization Agreement (SBA Form 529B).

d) If I have an SBA loan that was recently approved, when should I start sending in my SBA basis-point fee and to whom should I send the wire?

The SBA ongoing servicing fee obligation begins from the date of first disbursement. Wires should be sent to Colson Services Corp. and should be sent with the completed SBA Form 1502. See "Instructions for SBA Form 1502 Submissions."

e) The borrower did not make a payment this month. Do I have to pay the SBA basis-point fee?

Per SOP 50 10, if no payment was received, lenders are to compute the fee based on the product of a monthly on-going fee factor times the last reported Guaranteed Portion Closing Balance. This on-going fee factor is either one twelfth of the annual service fee, or a daily fee factor times the number of days in a reporting month. However, you must still report guaranty balance and loan status information with the *GP Number*, *Next Installment Due Date*, *Interest To date*, and the *Guaranteed Portion Closing Balance* based on borrower repayment activity. The SBA and Colson are in discussion to develop a fee receivable to track this requirement in the future.

f) How often will the SBA basis-point fee be collected?

Fees are due to Colson monthly. The due date is the third calendar day of the month (or the next business day thereafter, if the third is not a business day) plus a two-business-day grace period. Refer to the "Schedule of Payment Due Dates."

g) How is SBA's basis-point fee calculated?

For *fully-disbursed term loans*, the fee is computed as follows:

$$[\text{Guaranteed Portion Opening Balance}] \times [\text{basis point fee}] \div [\text{Calendar Basis}] \times [\text{\# of days}]$$

(For example: \$750,000.00 x .005 ÷ 360 x 30 = \$312.50)

For *partially-disbursed term loans* and *loans with revolving features*, the fee is computed as follows:

$$[\text{Guaranteed Portion Interest Received}] \times [\text{basis point fee}] \div [\text{Interest Rate \%}]$$

(For example: \$5,937.50 x .005 ÷ .095 = \$312.50)

h) What is the first “Interest Period From” date on unsold loans that are subject to SBA’s basis-point fee?

The *Interest Period From* date is the first day on which the borrower is charged interest, which is usually the date on the note or the date of first disbursement.

i) If a loan I sold in the secondary market settled this month, how do I report SBA’s fee?

The payment must be reported on multiple lines. Assuming the loan settled without accrued interest, the first line should reflect the SBA basis-point fee payment, calculated from the last interest paid-to date to the settlement date.

The second line should indicate the secondary market payment, with interest starting from the settlement date to the paid-to date covered by the reported interest. Be sure to reflect the proper interest rates before and after the sale.

- ◆ Before Sale: interest rate reported = borrower’s rate
- ◆ After Sale: interest rate reported = borrower’s rate less lender’s servicing fee

j) If a loan is sold into the secondary market before the borrower makes its first payment, do I have to pay the SBA basis-point fee for the interest period the loan was unsold?

If the loan settled without accrued interest, the lender must pay the SBA basis-point fee from the loan’s last interest paid-to date to the settlement date. Lenders do not have to remit the fee if the investor bought accrued interest from the loan’s last interest paid-to date, as the fee will be deducted from the interest amount on the first secondary market remitted by the lender. For loans that have not made a first payment, the last interest paid-to date is considered the date on which interest begins to accrue.

IV. GUARANTY BALANCE AND LOAN STATUS INFORMATION

a) What information do I report if a loan is neither sold nor subject to SBA’s fee?

You must report guaranteed loan balance and status information. In these instances, there should be no entry in the *Total to FTA* column.

V. PREPAYMENTS

a) How should full and partial prepayments be reported?

- ◆ For sold loans, prepayments must be sent on a separate SBA Form 1502 and should NOT be commingled with your regular monthly remittance. The lender must place a check mark [✓] in the designated box at the upper-right corner of SBA Form 1502 when passing-through a prepayment. Do not to indicate a Status Code 6 on the 1502 payoff remittance. Status code 6 is to be reported for the prepaid loan on your month-end 1502 Form.

Prepayment instructions and confirmation of written prepayment notification receipt can be obtained through Colson’s Client Service at (877)-245-6159.

- ◆ For unsold loans that are subject to SBA’s fee, basis-point fees and information must be sent with your regular monthly SBA Form 1502 submission by the next due date. For unsold loans that are not subject to SBA’s fee, information must be reported by the next due date with your regular monthly SBA Form 1502 submission.

b) What is considered a partial prepayment?

Any principal payment that exceeds 20% of the outstanding principal balance of the loan.

VI. INTEREST RATE CHANGE

a) How do I report guaranteed portion interest if a rate change affected this month’s payment?

The payment is reported on two or more lines, showing breaks at the time of each interest rate change. Payment information is reported for each interest period the rate was in effect.

VII. LATE PAYMENTS**a) *If a borrower makes a late payment on an unsold loan, when should the SBA basis-point fee be sent?***

If the borrower makes a late payment, the SBA basis-point fee for an unsold loan should be sent to Colson with your monthly SBA Form 1502 submission by the next SBA Form 1502 due date.

b) *When and how do I report late payments for secondary market loans?*

Late payments on secondary market loans are due to Colson within 2 business days of lender's receipt of good funds. Lenders must report late payments on a separate SBA Form 1502 and place a check mark [✓] in the box on the upper-right corner of the form. Do NOT combine late payments with the next scheduled remittance due to Colson.

VIII. REMITTANCE PENALTIES**a) *Will late penalties be assessed on SBA basis-point fee payments?***

No. At this time, SBA will assess no penalties if the lender submits late SBA basis-point fee payments on SBA Form 1502. However, this may change in the future.

b) *Will late penalties be assessed on Form 1502 submissions that arrive late at Colson?*

Yes. If the SBA Form 1502 contains secondary market payments, late-payment penalty fees will be assessed on secondary market loans in accordance with SBA Form 1086.

IX. UNDISBURSED PRINCIPAL**a) *If a loan is undisbursed, when must I begin to report loan status information on the 1502 Form?***

Once the SBA approves a loan, the lender must begin reporting the guaranty balance and loan status information to Colson after 90 days, even if the loan is fully undisbursed. The lender must report the loan as a Status Code "9", an amount in the *Amount Undisbursed on Total Loan* column, and a *Guaranteed Balance* of \$0.00 on SBA Form 1502.

X. SBA PURCHASES**a) *If SBA has purchased a loan from the lender or secondary market, does the lender continue to report loan status information to Colson on the loan?***

No. Once the SBA guaranty is no longer outstanding on the lender's books because SBA purchased the loan, the lender is no longer required to report on the loan. However, the lender must report the loan one time as a Status Code "8" on SBA Form 1502, with a *Guaranteed Portion Closing Balance* and *Interest To* date as of the date of purchase by SBA.

b) *How many times should a lender report Status Code "8"?*

When a loan is purchased by the SBA, report the loan only one time with a Status Code "8," *Interest To* date, and the *Guaranteed Portion Closing Balance* as of the purchase date.

c) *If a loan has been purchased by SBA from the lender or secondary market, does the lender continue to report loan status information to Colson on the loan if the loan is in workout status?*

No. Once the loan has been repurchased by the SBA, and reported to Colson as a Status Code "8", no further reporting is required. However, if the borrower is continuing to make payments on the loan, the lender should report directly to the SBA via SBA Form 172.

d) *If a loan is in liquidation and the borrower continues to make payments, is it still necessary to report on the loan?*

Yes. If the loan is in liquidation, the loan must be reported monthly on SBA Form 1502 as Status Code "5" with a *Guaranteed Portion Closing Balance* and *Interest To* date as of the last payment received.

XI. REVOLVING LOANS

a) ***If a revolving loan had multiple advances and/or repayments made in the reporting period, what information do I report?***

- ◆ Guaranty balance and loan status information as of month-end.
- ◆ Payment information (i.e., interest rate, guaranteed interest, guaranteed principal, SBA fee (if any), and interest dates) if payment was received in the reported period. The SBA fee is computed based on the guaranteed interest amount received from the borrower and interest rate reported.

b) ***Are advances taken from line-of-credit loans considered disbursements, and should they be reported under the Amount Disbursed column on SBA Form 1502?***

Yes. They should be reported as disbursements and accounted for in the *Guaranteed Closing Balance* reported for month-end. The reported amount disbursed is based on 100% of the loan; the reported guaranteed closing balance is based on the guaranteed portion of the loan.

XII. PAID-IN-FULL LOANS

a) ***How should I report a loan that our institution shows as paid-in-full in the current month?***

- ◆ For sold loans: Colson's Secondary Market Payoff Department requires a 10 business day advance written notice for paid-in-full loans. Paid-in-full loans must be sent to Colson's Secondary Market Payoff Department on a separate SBA Form 1502 and should **NOT** be commingled with regular monthly remittance. For payoff funds, submit SBA Form 1502 without Status Code "6" but with the payment information which brings the *Guaranteed Portion Closing Balance* to \$0.00. On the month-end SBA Form 1502, report the loan as a Status Code "6", *Interest To* date as the date loan was paid-in-full, and indicate a *Guaranteed Portion Closing Balance* of \$0.00.
- ◆ For unsold loans: On your month-end 1502 Form, report on the loan as a Status Code "6" along with the guaranteed principal and interest payment information that brings the *Guaranteed Portion Closing Balance* to \$0.00. In the following month, report the loan on your SBA Form 1502 as a Status Code "6", *Interest To* date as the date loan was paid-in-full, and indicate a *Guaranteed Portion Closing Balance* of \$0.00.

If your institution receives correspondence from Colson that refers to loans you consider paid-in-full, please contact our Colson Customer Service Group at (877) 245-6159.

b) ***When should Status Code "6" not be used?***

Status Code "6" is reported when a loan has been paid-in-full by the borrower and the loan is no longer active. Do **NOT** report Status Code "6" for:

- ◆ Loans that have been transferred to another lender (report Status Code "7").
- ◆ Revolving loans when the borrower temporarily pays its balance to \$0.00 (leave status blank).
- ◆ Loans that have been purchased by SBA (report Status Code 8).

c) ***How many times do I report on a loan that has been paid off?***

Two times. The first time, report a full line entry that indicates the guaranteed portion of the payment that paid the loan to a zero balance. The next month, report only the *GP Number*, Status Code "6", *Interest To* date, and *Guaranteed Portion Closing Balance* of \$0.00 (as of date the loan paid off).

d) ***The borrower made two payments during the month, so we split up the entry on two lines. If the loan paid off with the second payment, why are we receiving an FTA error message #2?***

Ensure that a Status Code "6" was entered on the second line entry with a zero balance. If it was included on the first line but not the second, Colson's system will generate an error, since there cannot be a balance on a paid-in-full loan.

XIII. CANCELLED OR WITHDRAWN LOANS**a) Do I report on a loan that our institution shows as cancelled or withdrawn prior to disbursement?**

No. However, to cancel the GP Number on the SBA's database, you must contact the SBA Field Office that approved the loan and inform the office that the loan was cancelled or withdrawn.

XIV. UNREPORTED LOAN LETTER(S)**a) Why would I receive an unreported loan letter for a loan(s) if I've submitted a 1502 Form?**

One of the following may apply:

- ◆ Your SBA Form 1502 may have been sent after the SBA due date and could not be processed timely.
- ◆ An incorrect GP Number was reported (check the SBA's Loan Authorization Agreement) or the GP Number was inaccurately entered in Colson's system. Use of electronic media will eliminate data entry errors.

b) In reading the unreported loan letter, I do not recognize some or all the loans listed?

One of the following may have occurred:

- ◆ Loan already paid off (report on next 1502 as a Status Code "6").
- ◆ Loan was cancelled or withdrawn (contact your SBA office).
- ◆ Lender's GP Number differs from SBA's GP Number (check the Loan Authorization Agreement).

XV. TRANSFERS**a) I have a loan that is being transferred to another lender. How should I report it on the SBA Form 1502?**

If a loan is transferred, report it once with the *GP Number*, Status Code "7," *Interest To date* and *Guaranteed Portion Closing Balance* as of the transfer date. If there was a payment made, report all the payment information along with a Status Code "7." Additionally, it is important to notify and provide Colson with necessary documents to ensure that the proper transfer is performed in Colson's system. Please contact your Customer Service Representative with any questions on required documentation.

b) If there is a servicing change for my bank that involves a loan transfer, bank merger or consolidation, what should I do?

At least one of the following should be forwarded to Colson, depending on the nature of the servicing change:

- ◆ A copy of the letter from the State Comptroller of the Currency or the Administrator of National Banks.
- ◆ A copy of a legally-binding merger agreement signed by both institutions.
- ◆ A letter from the previous lender relinquishing specific loans to your institution. This letter must be signed by an officer of that institution.
- ◆ SBA's written approval of your specific request for a servicing change.
- ◆ A completed SBA 750 Agreement indicating SBA's acceptance of your institution as an approved SBA lender.