SBA Procedural Notice

TO: All SBA Employees and Sureties participating in SBA's Surety Bond Guarantee Program

CONTROL NO.: 5000-868064

SUBJECT: Procedural Notice - Updates for Veteran Verifications in SOP 50 45 4 and PSB Claims Procedures in SOP 50 49 0

EFFECTIVE: May 5, 2025

The purpose of this Notice is to inform SBA employees, as well as Surety Companies and any other program users (collectively referred to as "Surety"), of a change in several procedures for submissions of applications, claims, and recoveries in Surety Bond Guarantee (SBG) program as well as veteran status verification procedures. Procedures for submission of claims for reimbursement and recoveries in the Preferred Surety Bond (PSB) program are changing to adjust for streamlining and modernization of the online submission system. Several fraud and risk mitigation adjustments are being implemented that impact all submissions to the SBG program, including a procedure for verifying veteran status of applicants. The changes in this Notice update Standard Operating Procedures (SOPs) 50 45 4 and 50 49 0.

The procedure set forth in this Notice applies to Sureties as defined by 13 CFR § 115.10 participating in the SBG program and will control over any conflicting provisions in SOPs 50 45 4 and 50 49 0. All Surety application, claim, and recovery submissions on and after the effective date of this Notice will follow the procedures set forth below. SBA will continue to review these processes over the coming months and will incorporate the revised procedures in the next SOPs 50 45 and 50 49 updates after determining whether additional changes are needed.

Summary of Procedural Changes

PSB Program Claim and Recovery Submissions

PSB program submissions for claims and recoveries are moving to a new procedure within the Claims module currently utilized by the Prior Approval program. The change improves PSB guarantee management in SBA's Capital Access Financial System (CAFS). Information collection is being streamlined and standardized across programs.

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SBA is updating its procedures to reflect a change in the online system used to submit these requests from the "Claims Bordereau" module to the "Claims" module used for the Prior Approval program. The Claims module utilizes SBA Form 994H to collect and report information on each submission.

Current submission procedure:

1. Submitter accesses the "Central Office PSB Bordereau" module to submit data for each itemized claim and/or recovery to SBA.
2. After submission, the submitter separately accesses the "Claim Bordereau" and/or "Recovery Bordereau" to download, sign, and remit to SBA the related Bordereau report.

Revised submission procedure:

1. Submitter accesses the "Claims" module to submit the required information for each claim and/or recovery to SBA. Itemization for a claim is entered in a single submission.
    a. Simultaneous claims and recoveries on a surety bond guarantee are reported in a single submission.
2. Prior to submission, the submitter will download, sign, and upload the prepopulated SBA Form 994H (found on the Summary screen of the submission) to the Documents screen for the submission.

Information collected with each submission:

The below-list of information collected in CAFS is reflected in SBA Form 994H. Electronic information collection is subject to changes on SBA Form 994H.

- Identification screen
    - Required
        - Surety's claim number
        - Default status code
        - Default reason code
        - Explanation of submission
        - Change from previous report
        - Surety reserve amount
    - Optional
        - Contract completion percent
        - Remaining contract funds
        - Completion contractor
- Subrogation screen
    - Required
        - Litigation pending status
        - Payments being made
    - Optional
        - Bankruptcy status
        - Change from last report
        - Request to close final
        - Other anticipated recovery
- Loss screen

    - Required
        - Draft date
        - Draft number
        - Amount
        - Loss class
        - Payee
- Recovery screen
    - Required
        - Date
        - Amount
        - Recovery class
    - Optional
        - Source

Verification of Veteran Status in Prior Approval and PSB Programs

Veteran status verification will now be required for all SBG program guarantees. Prior Approval program submissions must include documentation verifying the status of applicant individuals claiming veteran or service-disabled veteran status for the program's 90 percent guarantee upon the first application to the program. Sureties in the PSB program must collect and retain documentation verifying the status of applicant's claiming veteran or service-disabled veteran status for the program's 90 percent guarantee.

SOP 50 49 0 Updates:

SOP 50 49 0 Claim and Recovery Submission Adjustments for the PSB Program

Page 17, SOP 50 49 0, Chapter 3, Section 3 is revised in its entirety as follows:

3. Claims Reimbursement Submission

The Surety must submit its claims for reimbursement on its Losses as a result of a Default or Imminent Breach via the electronic Claims module available in CAFS. The Surety must submit reimbursement requests by submitting SBA Form 994H through CAFS. If CAFS is unavailable, the Surety may submit a paper copy via regular mail. The Surety must submit the claim for reimbursement no later than 90 days from the date the Surety made payment to the claimant. Subject to the offset provisions of 13 CFR Part 140, SBA will reimburse the Surety within 45 days of receipt of the Surety's request for reimbursement, or 45 days from the date SBA receives all additional information requested.

Steps to complete a claims reimbursement request submission:

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1. The Surety inputs all relevant SBA Form 994H claim information into CAFS.
2. After verifying the information in the submission is complete and accurate, the Surety uses SBA's electronically produced SBA Form 994H to upload a certified copy to the Documents screen of the submission, which will be used in SBA's review as the claim bordereau document.
3. The Surety submits the claim reimbursement request to SBA's Claims and Recovery Division staff for approval.

Page 19, SOP 50 49 0, Chapter 4, Section 2 is revised in its entirety as follows:

2. Recovery Submission

The Surety must submit SBA's share of recovery from loss on a bond guarantee through the electronic Claims module available in CAFS. The Surety must submit the recovery by submitting SBA Form 994H through CAFS. If CAFS is unavailable, the Surety may submit a paper copy via regular mail. The Surety must submit the recovery no later than 45 days from the date that it received any recovery unless such recovery is unquestionably identifiable as related solely to a non-guaranteed bond.

Steps to complete a recovery report submission:

1. The PSB Surety inputs the claims information into CAFS.
2. After verifying information in the submission is complete and accurate, the Surety certifies the system-generated SBA Form 994H and uploads to file for SBA review.
3. The Surety submits the report to SBA's Claims and Recovery Division staff for approval.
4. After approval, the Surety must remit SBA's share of the recovery to SBA.

SOP 50 45 4 Updates:

SOP 50 45 4 Veteran Verification Adjustment for the Prior Approval and PSB Programs

Page 13, SOP 50 45 4 Chapter 2, section 5, subparagraph a. "SBA's guarantee percentage is equal up to 90 percent if:" is appended at the end as follows:

Individuals who are claiming veteran or service-disabled veteran status with Honorable or General Discharge must provide documented verification via the following options:

1. Veteran ID Card ("VIC");
2. State Issued Driver's License with Vet designation;

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3. DD-214 with an Honorable or General Discharge;
4. SBA's Veteran Small Business Certification ("VetCert");
5. Common Access Card ("CAC");
6. Uniformed Services Identification ("USID") card; or
7. Other official military ID that adequately verifies above statuses.

Prior Approval Sureties must upload the documented verification on file with an applicant's first application submitted in eApps. PSB Sureties must collect and retain verification documentation from all applicable applicants for retention in accordance with 13 CFR § 115.21(b).

Any falsification of information, withholding of pertinent information, or intentional neglect will result in the revocation of SBA's 90 percent guarantee and all responsible parties will be reported to SBA's Office of Inspector General.

Questions:

Questions concerning this Notice may be directed to Kevin Valdes, Management Analyst, at Kevin.Valdes@sba.gov.

Thomas Kimsey

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