



WHAT'S AN SBA LSP AGREEMENT? WHAT'S IN IT? WHO SIGNS IT? WHO APPROVES IT?

Before we get to the Agreement, let's define "Lender Service Provider." As detailed in [SOP 50 10 5 \(G\)](#), Lender Service Providers fall under the category of "Agent."* Specifically, "... a 'Lender Service Provider' means an Agent who carries out lender functions in originating, disbursing, servicing, or liquidating a specific SBA business loan or loan portfolio for compensation from the lender." **

At J.R. Bruno & Associates, we are an SBA Lender Service Provider. We're celebrating 21 years of serving the nationwide SBA and business lending community. As a lender, your bank may choose to hire a Lender Service Provider to assist in certain aspects of credit processing for 7(a) loans. Specifically: to evaluate, process, close, service and liquidate your 7(a) loans.

The LSP Agreement

The LSP Agreement defines the relationship between the lender and the LSP on the scope of services to be performed and the Lender Service Provider's compensation. When you and the LSP agree on the scope of service in an LSP Agreement, you as the lender would submit the completed LSP Agreement to the SBA for approval. "...the SBA approves the written agreement between the lender and the Lender Service Provider, thus SBA Form 159 (7a) is not required for the services provided by the lender service provider to the lender." *** [under the Agreement]

Do you need an LSP Agreement for every outsourced SBA loan service?

It's a common misconception that lenders need an SBA-approved LSP Agreement for every outsourced service. Not so. If your bank needs just a one-shot service such as packaging for a single loan, the Agent is not deemed by the SBA to be an LSP. You and the Agent need only agree on the project and the hourly fee - and get going. Remember too that not every "outsourced SBA loan service" is a "lender function," e.g., real estate appraisals, environmental investigations, training, and consulting. LSP Agreements aren't required for those services.

LSP Agreements are for continuing relationships. So if your bank chooses to outsource your entire SBA department, or all of your SBA loan packaging, servicing and liquidations, and assistance with underwriting, you'll need an LSP

Agreement. Importantly, as all loan submissions to the 7(a) LGPC must now be through E-Tran, if you wish a Lender Service Provider to assist with E-Tran submissions, there must be an LSP Agreement.

Finally, it's important to remember that although you may choose to hire a Lender Service Provider, responsibility for the loan is entirely yours. It's your loan. Not the LSP's. You need to know everything that's in the loan file.

I hope this information has been helpful. At J.R. Bruno & Associates, our JRB Team of former financial institution executives and SBA experts is here to assist you in every aspect of the SBA and business lending process. Feel free to call me directly at 626.688.2125 or visit www.jrbrunoassoc.com.

Joanna

Joanna Bruno
President
J.R. Bruno & Associates
870 Market Street, Suite 462
San Francisco, CA 94102
415.362.1200
626.688.2125 cell
joanna@jrbrunoassoc.com

Visit us at www.jrbrunoassoc.com

**Subpart B, Chapter 3, IX, Agents, pg. 149*

***Subpart B, Chapter 3, IX.A.3 (a) paragraph 3, page 150 [13 CFR §103.1(d)]*

****13 CFR § 103.5(c).*