



SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1378

SUBJECT: Clarification of Wrap-up Report
Deadline and Prudent Liquidation

EFFECTIVE: April 1, 2016

The U.S. Small Business Administration's latest version of SOP 50 57 2, 7(a) Loan Servicing and Liquidation, became effective December 1, 2015. In Chapter 26 of the SOP, SBA set forth the Lender Wrap-up Report submission due date and timeframes for Prudent Liquidation. This SBA Information Notice is being issued to clarify that portion of the SOP.

Wrap-up Report Deadline

For loans in which the SBA has honored the guaranty (purchased), but were not fully liquidated prior to December 1, 2015 (the effective date of the SOP), Lenders must comply with the Wrap-Up Report deadline requirement in the new version of the SOP. For those loans, a Wrap-up Report must be prepared and submitted in electronic format to the appropriate SBA Loan Center for review and approval within 30 calendar days after Prudent Liquidation is complete or upon receipt of a request from SBA, whichever occurs first. (SOP 50 57 2, Chapter 26, Paragraph B.1.a.) Prudent Liquidation is defined in Chapter 2, Paragraph A.42 of the SOP.

For loans that were fully liquidated prior to December 1, 2015 (i.e., all reasonable and cost-effective recovery efforts had been completed), or a Wrap-Up Report was requested by SBA prior to December 1, 2015, the 90-day deadline (and not the 30 day deadline) in the previous version of the SOP on 7(a) Loan Servicing and Liquidation applies for Wrap-Up Report submission. The previous SOP required Lenders to submit the Wrap-Up Report within 90 days of completing all reasonable and cost-effective recovery efforts or upon receipt of a request from SBA, whichever occurred first. (SOP 50 57, Chapter 26, Paragraph C.1).

Prudent Liquidation

For loans in which the SBA has honored the guaranty (purchased), but were not fully liquidated prior to December 1, 2015, Lenders also must comply with SBA's new deadline for Prudent Liquidation -- Lenders must complete prudent liquidation activities and submit an acceptable Wrap-up Report in an electronic format to the appropriate SBA Loan Center no later than 24 months after purchase by SBA, or 24 months after the effective date of SOP 50 57 2, whichever is later.¹ (Chapter 26, Paragraph B.1.b.) For loans with guaranties that were purchased after December 1, 2015, the "later" 24 month period is "24 months after purchase." For loans with guaranties that were purchased prior to December 1, 2015, the "later" 24 month period is "24 months after the effective date" of the SOP. For loans in the latter category, this allows Lenders 24-months from the effective date of the SOP to complete Prudent Liquidation of those loans and submit a Wrap-Up Report. This provision does **NOT** give Lenders 24-months after Prudent Liquidation is complete to prepare and submit a Wrap-up Report.

Questions with regard to SOP 50 57 2 should be directed to the lender relations specialist at your local SBA field office. To find an SBA field office near you, visit www.sba.gov/about-offices-list/2.

Ann Marie Mehlum
Associate Administrator, Office of Capital Access

¹ An extension of the 24 month deadline may be approved in writing by the SBA prior to the expiration of the applicable 24 month period. (SOP 50 57 2, Chapter 26, Paragraph B, and Chapter 23, Paragraphs E and F. Please note that the SOP actually refers to Paragraphs E and J, however, the correct reference is to Paragraphs E and F.)

EXPIRES: 04/01/2017

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Must be accompanied by SBA Form 58