

## STUCK IN FORM 1502 QUICKSAND? JRB'S LORI McCAUSLAND IS YOUR '1502 FIXER!'

We continue to see our SBA lender clients getting stuck in the quagmire of Form 1502 Reporting. For SBA lenders, Form 1502 Reporting is one of the most important things you do. And Form 1502 is tremendously complicated. Even small errors can result in an SBA decline - and a "do-over." In worst case scenarios, committing serious transgressions could lose your PLP status, affect your application for PLP, or incur stiff penalties.

The good news: We're here to help! As part of our regular services, we've reviewed clients' Form 1502 reports as needed.

Now that [Lori McCausland](#) has joined our Team, we have an associate with Form 1502 Reporting as a core competency. In addition to her expertise at lending department staff training, compliance, loan processing, servicing, and portfolio reviews, Lori has a successful track record in working intensively with SBA lenders on Form 1502 reporting. Lenders have called on Lori many times to help find ways to fix their Form 1502 problems - and avoid potentially costly consequences.

As a recap, here are some common Form 1502 Reporting errors that are routinely declined:

- **Using the wrong code.** This first error could be considered a "boarding problem," but on the SBA side, an error such as coding a revolving line of credit as a term loan or vice versa will trigger problems because the SBA has different fee structures for each loan type. In another example, when the SBA guaranty has been paid, some lenders mark the loan as paid in full. Not so. Just the guaranty is paid, and the loan is still outstanding.
- **System issues.** Your entries need to balance on your system. And they must balance on the government's system. Making sure your system is compatible to the SBA's will go a long way to easing the error rate.

- **Loans boarded incorrectly to a financial institution's system.** SBA loans are primarily simple interest loans. Payments are applied with interest paid up to the date the payment is received, and then the balance is applied to principal. Often lenders don't board loans this way, causing an overpayment or underpayment to interest. This leads the interest paid to date on the lender's records to differ from Colson's.
- **Status Codes not changed.** Let's say a loan is transferred to liquidation status, and then the borrower brings the loan current. Often the lender forgets to change the status back to regular status.
- **Loans reported as paid off in error.** This generally occurs on loans in liquidation status. For example, a lender will charge off their 25% of the loan and it will drop from their system, as the SBA's 75% is boarded on their system as a participation loan. When the charge-off occurs, lenders often report the loan as paid in full when it isn't. When this happens, the SBA will drop the guaranty since the loan now reflects the paid-in-full status.

So don't get stuck in the mud. If you're having trouble reconciling Form 1502, we can help. Contact me at 626.688.2125 or contact [J.R. Bruno online](#). We look forward to working with you!

*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](mailto:joanna@jrbrunoassoc.com)

Visit us at [www.jrbrunoassoc.com](http://www.jrbrunoassoc.com)