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Business Lending News

SBA'S UPDATED SOP 50 57 2: OUR PERSPECTIVE ROUND 2 - DEADLINES & REPORTING REQUIREMENTS

The SBA's updated [SOP 50 57 2](#), effective since December 1, 2015, has significant changes, clarifications and modifications to the agency's Servicing and Liquidation Policies and Procedures. In many cases, SBA is tightening the strings around when 7(a) lenders must complete liquidation activities and submit their reports. Important stuff. Significant consequences. This is the second in our series reinforcing existing requirements and highlighting key changes from our perspective. As above, we've linked to the [marked-up version of the SOP](#) for your reference. Here's a recap:

Site Visits. While there are no changes in this latest SOP, we feel it's important to reinforce SBA's requirements for site visits and timely reporting, along with the consequences for not completing them.

Site Visit Reports must be prepared and kept in the Loan File after every visit regardless of whether the loan is in regular Servicing or Liquidation status.

No site visit? If a site visit wasn't conducted, lenders must explain the reasons it wasn't necessary or prudent in the Loan File and include the explanation with the Wrap-up Report. FYI: See Chapter 3: Section F, pg. 34 and Chapter 15 Section A, pg. 91.

Liquidation Plans

Lenders already must submit a proposed Liquidation Plan, along with a copy of the Site Visit Report, to their SBA Loan Center within 30 business days of completed site visits for each CLP loan classified in Liquidation Status. While this provision isn't new, in working with our clients, we've found that this requirement is often overlooked. What's new: A requirement to include Routine Litigation for prior approval in submitted Liquidation Plans. FYI: See Chapter 14, Section G, pg. 85.

Status Reports: Secondary Market Repurchase

For SBA repurchases from the Secondary Market, a new provision makes life easier for lenders. Status Reports still need to be submitted within 15 days of the SBA repurchase. But now instead of quarterly reports, updates only need to be submitted every six months. For lender repurchases, Status Reports must be submitted within six months from the date of repurchase, and then every six months. FYI: Chapter 3, Section F, pg. 33, 3a. 2.

Wrap-up Report/Charge-off Tabs

Importantly, Wrap-up Reports/Charge-Off Tabs and consequences for non-compliance were stressed at the recent NAGGL Lenders Conference in St. Louis, with a full breakout session dedicated to this change in the SOP. As we've covered, there's a new deadline of 24 months from the date of the guaranty purchase to submit Wrap-up Reports/Charge-off Tabs. For loans where the SBA previously honored the guaranty, submission must be within 24 months of

the SOP's effective date: Nov. 30, 2017. FYI: See pg. 163 for the full text. Also see Chapter 23, Sections E and J, and Chapter 26 Section B.

Consequences. From the SOP, with new wording underlined: "If a Lender fails to submit a Wrap-up Report within the timeframe specified... in addition to referring the Lender to the SBA Office of Credit Risk Management, for possible enforcement action, SBA has the right to require the Lender to purchase the loan back from SBA, charge off the balance and, if appropriate, to refer the loan to Treasury after assignment of the loan documents." See Chapter 26, Section B pg. 168.

Again, thanks to JRB Senior Associate Rebecca Mendoza for her analysis. While all JRB associates have SBA expertise, Rebecca is our go-to person for Servicing and Liquidations. Stay tuned for more on SOP 50 57 2! And be sure to check out our JRB Team and full array of services on the [JRB website!](#)

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