



## UPDATE! TICK TOCK: RESETTING THE LIQUIDATION CLOCK ON SBA'S 24-MONTH REQUIREMENT FOR 7(a) LIQUIDATION AND WRAP-UP

Effective December 1, 2015, SBA's updated SOP 50 57 2 came with significant changes. Importantly, for the first time SBA established a requirement for lenders to "make every effort" to fully liquidate all purchased 7(a) loans within 24 months of the guaranty purchase and submit a Wrap-up Report within 30 days of liquidation.

Failure to comply came with big-time consequences, among them requiring lenders to purchase the loan from the SBA and charge off the balance, having lenders referred to the OCRM for enforcement action - and possibly having the loan referred to Treasury after assignment of the loan documents. The clock began ticking from the date SBA repurchased the loan. Phew!

Now there's breathing room. SBA gets it that sometimes it isn't possible for all loans to be fully liquidated in 24 months. So as of this June, they've announced a program for extending the 24-Month Prudent Liquidation Deadline:

*"Effective with this Semi-annual Report cycle, all lenders with loans in liquidation for more than 24 months from the date of guaranty purchase must send in documentation to support the continued and ongoing activity, and submit a request for extension if you know that the loan will not be fully liquidated by December 1, 2017."*

Lenders submitting an official request for extension must complete the 2-Year Liquidation Rule Extension Request form, which is available from the National Guaranty Purchase Center (NGPC). Complete the form and submit it along with documentation supporting your "continuing and ongoing" efforts to liquidate the loan to [NGPC.2YearExceptions@SBA.gov](mailto:NGPC.2YearExceptions@SBA.gov). You'll need to include an explanation of why the loan isn't ready for charge-off, how long an extension you'll need, and your proposed completion date. SBA staff will review each request and respond in writing.

*For now, only the National Guaranty Purchase Center is accepting extension requests, with Little Rock and Fresno expected to come on board in October. Importantly, SBA notes that effective December 1, 2017 these rules will apply to all 7(a) loans.*

Tick Tock. A Reset. Not a Reprieve. Now's the time to review applicable loans in your portfolio. And get moving! At JRB, servicing and liquidations are one of our specialties. We're here to guide you through the process, and assist you with all facets of SBA lending. [Contact JRB.](#)

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