

Liquidations: Dealing With an Unfortunate Fact of Life

In this roller coaster economy, liquidations are an unhappy fact of a business lender's life. They will happen. Some SBA loans on your books will go bad and require foreclosure, selling the business collateral, and complying with the SBA's liquidation procedures. Liquidations take time, resources and in-person oversight when you'd much rather focus on the business of profitable business lending.

Yet as you know, the SBA may honor all or part of the Guaranty plus 120 days interest for loans in liquidation. For loans approved before May 14, 2007, lenders can request the Guaranty before selling the business personal property. For loans approved on or after that date, lenders must liquidate the business personal property before requesting the Guaranty unless the borrower has filed for bankruptcy or the loan has been sold in the secondary market and the lender has declined to purchase.

In any event, time and resources are involved. You want to make sure you receive the full Guaranty, plus the 120 days interest. In brief, the SBA will honor the Guaranty if the loan is found to be eligible and you've done everything right from documenting to servicing the loan. If some things weren't done right the SBA will pay a Partial Guaranty plus the 120 days interest. If things weren't done correctly, the SBA will deny everything.

So let's say you've complied with the requirement to liquidate the business assets for a loan approved within the past four years. Under the SBA Rule, you may request the Guaranty using the SBA's [Guaranty Purchase Package](#) (commonly referred to as the [10 Tab](#)) after the business collateral has been sold, even while the loan is in liquidation.

Are you done yet? Nope. Liquidations aren't over 'til they're over. After the SBA has honored the Guaranty, the lender must provide a Quarterly Status Report letting the SBA know the progress of the liquidation and file a Wrap-Up Report when the liquidation is completed. After all, the SBA needs to know how things are going. This information is in the SBA Loan Liquidation [SOP 50 51 3](#), pg. 37 F.2-F.3.

At J.R. Bruno & Associates, we specialize in Liquidations, providing a full range of Liquidation Services, and allowing our clients to get down to the business of business lending. We'll assist you in requesting the Guaranty, coach you through the process to help ensure adherence to the SBA's SOP guidelines, prepare the 10 Tab, and help argue any repairs. As part of our Liquidation Services, we've developed an Excel Template for the Quarterly Status Report on Purchased 7(a) Loans. This a great tool for updating the status of your liquidations as the process moves along. We're happy to provide a complimentary Template for your use. Hit "Reply" to this email and request the template or give me a call at 415.362.1200.

I look forward to hearing from you!

Joanna

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

Visit us at www.jrbrunoassoc.com
Or give us a call:
West Coast: 415.362.1200
East Coast: 978. 886.5875
Southwest Region: 602.820.1337