

**SBA FORM 1502 REPORTING: GETTING IT RIGHT THE FIRST TIME  
'THE DEVIL'S IN THE DETAIL'**

Form 1502 Reporting is by and large the most important thing you do in SBA servicing outside of liquidations. A strong statement, but oh so true.

As you know, monthly 1502 Reporting is mandatory for all 7(a) loans with an outstanding SBA guaranty, regardless of payment activity, with the reporting period covering the first calendar day through the last calendar day of the prior month. The SBA provides an online [template](#) that you're to recreate each month to submit Form 1502 to Colson Services. Imperative: Colson must receive your SBA Form 1502 Report by the designated deadline.

That said, Form 1502 is tremendously complicated. So as the carpenters say, "Measure twice. Cut once." You need to do it right so the SBA won't kick it back for you to do all over again.

As consultants we've seen lenders make small errors on Form 1502 resulting in the inevitable do-over. So it's important to pay attention to the details! Here are some common - and easy to make - errors that are routinely declined:

- **Using the wrong code.** When the SBA guaranty has been paid, some lenders mark that the loan is paid in full. Not so. Just the guaranty is paid, and the loan is still outstanding.
- **System issues.** Your entries need to balance not only on your system, 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, 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 SBA will drop the guaranty since the loan now reflects the paid-in-full status.

Colson gives you several ways to submit SBA Form 1502: online at [www.colsonservices.com](http://www.colsonservices.com); email to [1502@colsonservices.com](mailto:1502@colsonservices.com) or Express Mail a CD to Colson Services Corp., 2 Hanson Place, 7th Floor, Brooklyn, N.Y. 11217Attn. Cash Processing.

At J.R. Bruno & Associates, reviewing clients' Form 1502 reports before they go to Colson is part of our regular service. With more than 200 years of combined SBA and commercial lending experience, we're expert at all things SBA. Contact us at 415.362.1200 or [online](#). We look forward to working with you!

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