We model the optimal disposition decision for product returns. The manager decides which product returns to accept for processing at the remanufacturing facility, and which ones to sell immediately as-is at a salvage value. High congestion levels in the remanufacturing facility delay the sale of the remanufactured product at the secondary market, decreasing the value at which it can be sold; this may imply a more attractive salvaging option. This is particularly important for high-tech products with short life cycles, such as computers and printers. We propose a two-step policy. In the first step, the returned product's random processing time is observed, and a disposition decision is made: if the processing time is larger than a threshold $k^*$ the product is salvaged; otherwise the product is remanufactured at a second stage. We first show that such a policy is optimal, based on a modification of Harrison's (1975) model that allows for the salvaging option. We then provide an approximate procedure to compute $k^*$ in industrial settings. Our numerical study demonstrates the superiority of our policy over the current industrial practice ignoring the time value of money. The paper is available electronically at [http://ssrn.com/abstract=923641](http://ssrn.com/abstract=923641).

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