

SBA FORM 1088 (REVISED)
SECONDARY MARKET ASSIGNMENT AND DISCLOSURE FORM
MUST BE USED ON ALL TRANSFERS AFTER MARCH 31, 1988

SBA has revised the Form 1088, the Secondary Market Assignment and Disclosure Form ("Form"). A copy of the new Form is attached.

The new Form will be required on any loan or pool certificate presented for transfer to the fiscal and transfer agent (FTA) after 3/31/88.

Background

The Small Business Secondary Market Improvements Act (P. L. 98-352) was enacted on July 10, 1984. The law mandates that SBA "prior to any sale, require the seller to disclose to a purchaser of the guaranteed portion of a loan guaranteed under this Act and to the purchaser of a trust certificate issued pursuant to subsection (g), information on terms, conditions, and yield of such instrument." [Small Business Act, section 5(h)(3)].

In implementing the disclosure requirement. SBA's goal was to develop a methodology for quoting yields that was both accurate and in accordance with industry practice. SBA and the Government Guaranteed Loan Subcommittee of the Public Securities Association (PSA) undertook a joint project to develop such a methodology shortly after the Act was passed. On February 3, 1987, SBA received the final recommendations of the PSA. SBA analyzed the PSA recommendations and concluded that they met SBA requirements for accuracy and up-to-date methodology. SBA then revised Form 1088 based upon the PSA recommendations. At a meeting in May 1987, SBA presented the revised Form 1088 to the PSA for review and comment. PSA members indicated their concurrence and support. The revised Form has now been approved by OMB and is being implemented by the SBA. This revision is a cooperative effort between (1) the individuals and businesses that will supply the information and (2) the SBA.

Purpose of Disclosure Requirements

It is SBA's intention with disclosure requirements to provide investors with (1) a constant annual prepayment rate (CPR) based upon the seller's analysis of the prepayment histories of SBA guaranteed loans with similar maturities and (2) additional disclosure information on the terms, conditions and yield of the security.

The purpose of the CPR is twofold: (1) to produce a cash flow yield calculation based upon the seller's analysis of SBA loans and (2) to help investors choose between alternative SBA pools and between SBA pools and alternative investments. Investors should be aware that the past record or seller's analysis is no guarantee of future performance. Individual investors may go beyond the disclosed CPR and use various techniques to measure current rates or to predict future prepayment rates.

SBA dropped the idea of a benchmark CPR for SBA loans. We determined that using one benchmark could be misleading for many investors because of the different CPRs associated with different maturities. In April of 1990, SBA informed sellers that it would be their responsibility to determine the appropriate CPR for each sale. Shortly after, the FTA began tracking CPRs stated in the disclosure information that is included with all sales. In December of 1991, the FTA began attaching a summary report of CPRs of similar maturities to each guaranteed interest certificate issued. Buyers are now able to compare the CPR represented by their seller with that reported for like sales. Summary information changes each month on a rolling six month basis.

The elements that form the disclosure requirements will, enable investors to know the facts and assumptions used to develop the cash flow yield quoted on SBA certificates.

Pursuant to law, the seller of a loan or pool certificate must disclose the information on the Form to the buyer prior to the trade date of a loan or pool certificate. The seller may provide this information either orally or in writing. In addition, the seller must submit a properly completed copy of this Form to the FTA. **The FTA will not process transfers unless this requirement is met.** The FTA will provide written confirmation of all disclosure information to the buyer when the certificate is delivered.

SBA Form 1088 (6-02) Previous Editions are obsolete
Required to obtain benefit

Certificates in current use do not contain the new Form 1088 on the back. When such certificates are presented to the FTA for transfer, they should be accompanied with a properly executed detached copy of the revised Form. The detached version of the revised Form will always be acceptable by the FTA.

Explanation of the Revised Sections of the Form

The following disclosure information must be provided:

1. Constant Annual Prepayment Rate Assumption. It is the seller's responsibility to determine the appropriate CPR for each sale. (For additional information on cash flow yields based upon constant prepayment rates see "Determining the Yield of a Mortgage Security," by Michael Waldman and Mark Gordon, in Frank J. Fabozzi, ed., The Handbook of Mortgage Backed Securities (Chicago: Probus, 1985)).
2. Weighted Average Maturity. This is the weighted average maturity (WAM) of the underlying loans in a pool. This information is required for pool certificates only.
3. Maturity. This is the stated maturity of the loan or pool as written on the front of the certificate.
4. Price. The price paid by the buyer should be entered. This price should not include the transfer fee or accrued interest. Except for the two preceding items, the price must include all money and any other items of value exchanged between the parties. The price should be entered both in dollars, and as a percentage of par, e.g., \$103,000 and 103.
5. The interest rate on the certificate. Fill in the certificate interest rate from the front of the certificate. For fixed rate certificates the rate will be stated as the annual percentage rate. For variable rate certificates the rate will be stated as a spread over or under Prime, e.g., Prime + 1% or Prime - 1.5%.
6. Coupon used to determine yields on variable rate certificates. This is the certificate interest rate in effect on settlement date. For example, if the prime rate is 6% on settlement date and the certificate interest rate is prime + 1.75%, enter 7.75%. For fixed rate certificates leave this item blank.
7. Interest rate ceiling and floors, if any, on variable rate certificates.
8. Delay days. This is the number of days to the first payment. The delay days for SBA loans and pools are these:

Fixed rate Pools:	70 days
Variable rate Pools:	85 days
Individual loans:	75 days
9. Cash flow yield based upon preceding Information. Yields should be entered on both a mortgage yield (monthly compounding) and a bond equivalent yield (semiannual compounding) basis. The bond-equivalent yield will in a cases be somewhat higher. For variable rate certificates, the yield should be based upon the current coupon rate and should be given as a spread over or under Prime. For example, if on a variable rate certificate Prime is 10% and the cash flow mortgage yield is calculated to be 11%. Then the following information should be entered:

Mortgage yield:
Prime + 1.0% based upon 10% Prime

Bond Equivalent yield:
Prime + 1.21% based upon 10% Prime.
10. Investment Characteristics. The seller must provide the following information to the buyer prior to the sale of a pool certificate:

**SBA Form 1088 (6-02) Previous Editions are obsolete
Required to obtain benefit**

- a. SBA guarantees timely payment of principal and interest on pool certificates.
- b. SBA does not guarantee premiums.
- c. The pool may be prepaid prior to the scheduled maturity date.

The seller must provide the following information to the buyer of an individual loan certificate prior to the sale:

- a. SBA does not guarantee timely payment of principal and interest on individually guaranteed portions.
- b. SBA will purchase the individually guaranteed portions upon 60 days uncured default by borrower.
- c. SBA does not guarantee premiums.
- d. To aid the orderly repayment of borrower's debt, the lender may, at the request of the borrower, grant one three month deferment resulting in a three month delay in payments to the investor.
- e. The guaranteed portion may be prepaid before the scheduled maturity date.

If there are any questions please contact the FTA or Jim Hammersley (202/205-6481) of the SBA.

**FORM OF DETACHED ASSIGNMENT
FOR U.S. SMALL BUSINESS ADMINISTRATION
LOAN POOL OR GUARANTEED INTEREST CERTIFICATE**

(To Be Effective, This Assignment Must Be Delivered To The Fiscal And
Transfer Agent With The Described Registered Certificate)

I am the owner, or the duly authorized representative of the owner, of the Loan Pool or Guaranteed Interest Certificate described below, and when I purchased such Certificate I was not the Borrower, Lender, or an Associate of the Lender or the small business borrower (as defined in Title 13. Code of Federal Regulations, Part 120).

FOR VALUE RECEIVED, the undersigned assigns and transfers to:

Type or print name, address (including zip code)

and taxpayer identifying number of assignee

the following described registered Certificate and all rights thereunder, effective as provided in SBA Forms 1085 or 1086, of which the undersigned is the Registered Holder or the duly authorized representative of the Registered Holder:

Certificate Number: _____

Date: _____

Signature by or on behalf of Registered Holder

I CERTIFY that the above-named person(s) as described, whose identity (or the identity of each of whom) is well known or proved to me, personally appeared before me this _____ day of _____, 20 ____ at _____ and signed the above assignment.

City and State

If the signatory is signing on behalf of Registered Holder, I am satisfied that such signatory is properly acting in such capacity.

Signature Guaranteed By: _____

Signature and title of certifying officer

Name

(SEAL)

Address

Officers authorized to certify assignments include officers and employees of banks and trust companies incorporated in the United States, its territories or possessions, or the Commonwealth of Puerto Rico, and Federal Savings and Loan Associations, who have been authorized to (i) generally bind their respective institutions by their acts, (ii) unqualifiedly guarantee signatures to assignments of securities, or (iii) expressly certify assignments of securities.

REQUIRED DISCLOSURE INFORMATION MUST BE COMPLETED FOR TRANSFER.

TRANSFER INSTRUCTIONS

IT IS THE RESPONSIBILITY OF THE ASSIGNEE TO PRESENT THE CERTIFICATE FOR TRANSFER.

This certificate must be presented for transfer and registration into the Assignee's name at the office of the Fiscal and Transfer Agent, Colson Services Corporation, 2 Hanson Place, 7th Floor, Brooklyn, NY 11217, or may be mailed to Colson Services Corporation, P.O. Box 54, Church Street Station, New York, NY 10274. The newly issued Certificate is available at the offices of the FTA after two (2) business days, or may be mailed according to Assignee's instructions. Certificates will be registered exactly as Assignee's name appears hereon. The FTA may charge a transfer fee, payable by check at the time of presentation.

Record date on the books of the FTA is the last business day of the month. FTA's sole responsibility is to pay the Registered Holder as of the Record Date. No claims for payments will be recognized other than the failure to pay Registered Holder. All other claims for payments, accrued interest, etc., must be presented to the Assignor.

SECONDARY MARKET MANDATORY DISCLOSURE INFORMATION

Pursuant to the disclosure requirements of 15 U.S.C. 636 (h), the undersigned hereby certifies that the following information has been provided to the purchaser, either orally or in writing, prior to sale. The FTA will not process transfers unless this form is submitted with other required transfer documents. FTA will provide Purchaser/Assignee with written confirmation of such disclosure information with the issuance of the new certificate.

This disclosure information provides investors with a constant annual prepayment rate (CPR) determined by the seller to be representative of this security. The purpose of the CPR is twofold: (1) to produce a cash flow yield calculation based upon the past performance of SBA loans and, (2) to help investors choose between SBA loans, pools and alternative investments. Past results are no guarantee of future performance. Individual investors should consider the use of several different CPRs to determine the potential yield on an SBA security.

Fill in either Part A or Part B. For additional information on completing this form please refer to the Secondary Market Program Guide.

PART A: POOL CERTIFICATES

1. Constant Annual Prepayment Rate Assumption. _____ % per year
2. Weighted Average Maturity. Month _____ Day _____ Year _____
3. Pool maturity. Month _____ Day _____ Year _____
4. Price. (Net of transfer fee and accrued interest. Otherwise include all money and any items of value exchanged)
\$ _____ As a percentage of par _____%
5. Pool Interest Rate. (Fill in the pool interest rate from the front of the certificate. For fixed rate pools fill in the net coupon rate. For variable rate pools use the spread over or under Base Rate, e.g., enter "Base Rate + 1%".)
6. Coupon used to determine yield on variable rate pool
7. Interest rate ceiling and floor, if any, on variable rate pool.
Ceiling _____% Floor _____
8. Delay days to first payment. (70 days for fixed rate pool and 85 days for variable rate pool). _____ days.
9. Cash flow yield based upon preceding information. Enter both mortgage and bond equivalent yield. For variable rate pools, the yield should be based upon the current coupon rate and should be entered as a spread against Base Rate. (Example: Base Rate + 1.0% based upon 10% Base Rate)

Mortgage yield:

[Fixed rate pools] _____ %

[Variable rate pools] (Base Rate +/-: _____) _____ % based upon _____ % Base Rate

Bond equivalent yield:

[Fixed rate pools] _____ %

[Variable rate pools] (Base Rate +/-: _____) _____ % based upon _____ % Base Rate

10. Investment Characteristics. The seller must provide the following additional information to the buyer prior to the sale:

- (a) SBA guarantees timely payment of principal and interest on pool certificates.
- (b) SBA does not guarantee premiums.
- (c) The pool or parts thereof may be prepaid prior to scheduled maturity.

PART B: INDIVIDUAL LOAN CERTIFICATES

1. Constant Annual Prepayment Rate Assumption. _____ % per year.
2. Certificate Scheduled Maturity Date. Month _____ Day _____ Year _____
3. Price. (Net of transfer fee and accrued interest. Otherwise include all money and any other items of value exchanged)
\$ _____ As a percentage of par _____ %
4. Certificate interest rate. (Supply the certificate interest rate from the front of the certificate. For fixed rate loans fill in the coupon rate. For variable rate loans use the spread over or under Base Rate. (e.g., enter variable "Base Rate + 1%.)
_____ %
5. Coupon used to determine yields on variable rate loan.
6. Interest rate ceiling and floor. if any, on variable rate loan.
Ceiling _____ % Floor _____ %
7. Delay days to first payment: 75 days for an individual loan.
8. Cash flow yield based upon preceding information. Enter both mortgage and bond equivalent yield. For a variable rate loan, the yield should be based upon the current coupon rate and should be entered as a spread against Base Rate. (Example: Base Rate + 1.0% based upon 10% Base Rate).

Mortgage yield:

[Fixed rate loans] _____ %

[Variable rate loans] Base Rate (+/-: _____) _____ % based upon _____ % Base Rate

Bond equivalent yield:

[All loans] _____ %

[Variable rate loans only] Base Rate (+/-: _____) _____ % based upon _____ % Base Rate

9. Investment Characteristics. The seller must provide the following additional information to the buyer prior to the sale:

- (a) SBA does not guaranty timely payment of principal and interest on individually guaranteed portions.
- (b) SBA will purchase the individually guaranteed portions upon 60 days uncured default by borrower.
- (c) SBA does not guaranty premiums.
- (d) To aid the orderly repayment of borrower's debt, the lender may, at the request of the borrower, grant one three month deferment resulting in a three month delay in payments to the investor.
- (e) The guaranteed portion may be prepaid before the maturity date.

This form is required to obtain a benefit.

PLEASE NOTE: The estimated burden for completing this form is 1 1/2 hours *per* response. You are not required to respond to any collection of information unless it displays a currently valid OMB approval number. Comments on the burden should be sent to U.S. Small Business Administration, Chief, AIB, 409 3rd St., S.W., Washington D.C. 20416 and Desk Officer for the Small Business Administration, Office of Management and Budget, New Executive Office Building, Room 10202, Washington, D.C. 20503. OMB Approval (3245-0212). The respondent should not send the completed form to these addresses.