



## SBA GUARANTEED LOAN POOL CERTIFICATE PROGRAM

### STANDARD "NON - WAC" SBA POOLS

#### A. Standard Pool Parameters:

- Minimum of four (4) underlying loans in each pool.
- Minimum of one million dollars as aggregate balance of each pool.
- All loans must float on the same basis (i.e., all quarterly or all monthly, indexed to low *Wall Street Journal* prime only).
- All pools issued prior to October 2005, the shortest loan maturity was 70% of the longest loan maturity. For all pools formed from October 2005 through September 2017, the shortest maturity is 80% of the longest loan in pool. Effective with the October 2017 pools and thereafter, the shortest loan maturity is 94% of the longest loan maturity. Effective with the October 2018 pools and thereafter, the shortest loan maturity is 95% of the longest loan maturity.
- The largest underlying loan in the pool cannot comprise more than 25% of the pool (principal amount).
- The underlying loans must be in current status, this is the loan repayment category in which no payment is no more than 29 days past due (e.g., pool issue month of 3/1, loan interest paid to must be at least 1/1).
- The difference between the gross rates on the loans can be no more than 2%.
- If one loan in a variable rate loan pool has an interest rate cap, the pool as a whole must have a cap, equal to the lowest loan cap.
- If all of the loans in a variable rate loan pool have an interest rate floor, the pool as a whole must have a floor, equal to the lowest loan floor.
- If at least one of the loans in a variable rate loan pool does not have an interest rate floor, then the pool as a whole will not have a floor.
- Pool certificates will reflect the appropriate cap and/or floor designation associated to a respective pool. Should a pool have a cap, and no floor, as determined by the above



parameters, the certificate will reflect: CAP: 13.0%, FLOOR: None

- The rate on a pool certificate (pool rate) must be equal to the lowest net rate (the rate of interest, net of fees), on an individual guaranteed portion in the pool.
- If a loan's net rate is higher than the pool rate, the Pool Assembler can take an Originator Fee on the loan to adjust the net rate to the pool rate, but only if an Originator Fee is not currently being taken.
- The maturity date on a pool is the 25th of the month following the loan with the longest maturity.

## Weighted Average Coupon "WAC" Pools

### B. WAC Pool Parameters

- (a) Minimum number of guaranteed portions in a pool is 10.
- (b) Minimum aggregate principal balance of guaranteed portions outstanding at the time of certificate issuance is \$1,000,000.
- (c) Minimum face amount of any WAC pool certificate is \$25,000.
- (d) All certificates must be in multiples of \$5,000 with the exception of one certificate per pool.
- (e) The maximum allowable difference between the highest note rate and the lowest note rate of loans in a WAC pool is 200 basis points.
- (f) SBA will permit a maximum differential of 75 basis points between the lowest net coupon rate and the highest net coupon rate for guaranteed portions in an individual WAC pool. This amount will give pool assemblers the flexibility needed to handle loans with slight differences in the net interest rate, yet should prevent large swings in the value



of the security due to the prepayment or default of one of the loans in the pool. Interest only strips are not allowed on the WAC pools.

- (g) The shortest remaining term to maturity of any loan in a pool must be at least the published percent (i.e. 76 % for fiscal year 2009 through September 2017 new issue pools) of the longest remaining term to maturity of any loan in a pool. Effective with the October 2017 pools and thereafter, the shortest loan maturity is 94% of the longest loan maturity. That percent is adjusted to maintain the program at a zero subsidy rate and will be published annually. Term to maturity shall be measured in months from the pool issue date. Fractions produced as a result of multiplying the longest term by the applicable percentage and shall be rounded up to the nearest whole month. Effective with the October 2018 pools and thereafter, the shortest loan maturity is 95% of the longest loan maturity.
- (h) No individual guaranteed portion principal balance may constitute more than 10% of a pool.
- (i) Guaranteed portions in a pool must either be all fixed rate or all variable rate. When the guaranteed portions have a variable interest rate, they must float on the same basis (i.e. Prime base rate/LIBOR Base Rate/SBA Optional Peg Rate and adjustment period).
- (j) Mixed rate loans (where the unguaranteed portion retained by the lender has a variable rate and the guaranteed portion placed in the pool has a fixed rate) must be included in a fixed rate pool.
- (k) Pools are closed end. This means that loans may not be added to a pool once the pool has been issued and loans that prepay or default may not be replaced.
- (l) Fixed rate pools will be issued at any time during the month. Fixed rate pools will have an issue date of the 15<sup>th</sup> of the month.
- (m) Variable rate WAC pools will be issued at any time during the month. Variable rate WAC pools will have an issue date of the 1<sup>st</sup> of the month.
- (n) All guaranteed portions in the pool must be valued at par.

Along with meeting the above-described pool criteria, the special characteristics of loans in a pool must be similar. For example, all loans in a variable rate pool must have the same base rate and fluctuate on the same basis. If one loan in the pool has an interest rate cap, the pool will have a cap equal to the lowest net cap rate.



C. **Pool Assemblers:**

- Pool Assembler presents a preliminary worksheet to the FTA with an SBA Form 1454, Application for Pool Assembly. Upon receipt by the FTA, the worksheet will be reviewed to determine if all the loans meet the pool parameters.

- *The Pool Assembler's worksheet must include the following information:*

- FTAGP number on each underlying loan
- Maturity date on each loan
- Outstanding Balance on each loan
- Borrower's rate, net rate less FTA Fee, and Originator's Fee (if any), on each loan

- The SBA Form 1454 (Application for Pool Assembly) must include:

- Total balance on the pool
- Pool maturity date
- Pool rate and the adjustment period
- Pool Assembler's internal pool number
- Two (2) SBA authorized signatories

- The FTA will contact the Pool Assembler after their worksheet has been reviewed. If a loan does not fit the parameters of the pool, it must be taken out and the Assembler has the option of replacing it with another loan.

- If all the loans fit the pool, the Assembler will then be advised of what documents are needed to complete the pool (e.g., Originator Confirmation notices, disclosure statements, SBA Form 1088, initial split instructions, and FTA Fees due).

- The certificates for each loan can then be delivered to the FTA.

- A pool will settle within two full business days upon receipt of the worksheet by the FTA, provided the pool is in proper order and all documents, certificates, and fees have been received by the FTA.

- Applications for pool assembly will be accepted up to the 20th day of the pool issue month for all pools. Should the 20th day fall on a weekend or a holiday, the applications will be accepted up to the prior business day. Applications received after this time will be considered for settlement in the following month.

- Any guaranteed portion that is to be certificated and placed in a pool within the same



month, must be certificated by the 12th business day of said month. (Pool applications should be submitted after all guaranteed portions for the pool have been certificated.)

**D. Interest Adjustments:**

- If interest on the underlying loan is paid past the issue date of the pool, the Pool Assembler is claimed for the appropriate number of days interest, (e.g., a 7/1 issue date with a loan interest paid to date of 7/10, results in a claim of 7/1 to 7/10 at the respective pool rate).
- If interest on the underlying loan is paid prior to the issue date of the pool, the Assembler will be advanced the appropriate number of days interest, (e.g., a 7/1 issue date with a loan interest paid to date of 6/18, results in a payment to the Assembler of 6/18 to 7/1 at the respective pool rate).
- Interest adjustment processing is completed within three weeks from the settlement date of the pool.

**E. Pool Payment Dates:**

• *SBA pools pay principal and interest on the 25th of each month, with the exception of first payments on pools formed prior to 10/01/04. These first payments consist of interest only. For pools formed on 10/01/04 and thereafter, SBA pools pay principal and interest on the 25th of each month. Variable rate pool payments have an 85 day delay (e.g., interest from 06/01/15 to 07/01/15 is payable 8/25/15), Fixed Rate pool payments have a 70 day delay (e.g., interest from 06/15/15 to 07/15/15 is payable 8/25/15).*

Record date for SBA guaranteed loan pool certificates is the last business day of the month. The registered holder on the books of the FTA at record date is entitled to that months principal and interest payment.

For example, all holders of record on 06/30/15 will receive the scheduled payment for 08/25/15. Certificate transfers received from 07/01/15 to 07/31/15 will be entitled to the 09/25/15 payable, etc. To calculate the scheduled principal and interest payment due for a particular month, please refer to the following example:

Scheduled principal and interest for 7/25/15 payable; (interest period of 5/01/15 to 6/01/15)

- a. Multiply the May 2015 factor for the pool times the original face amount of the individual position, this equals the ending balance for the 6/25/15 payable, which is also the opening balance for the 7/25/15 payable.



**b.** Multiply the June 2015 factor for the pool times the original face amount of the individual position, this equals the ending balance for the 7/25/15 payable.

**c.** Subtract the balance calculated in "b" above (7/25/15), from the balance calculated in "a" above (6/25/15). The difference is the scheduled principal for the 7/25/15 payable.

**d.** The interest payment for this example is a function of the pool's appropriate percentage rate at 5/01/15, multiplied by the balance calculated in "a" above (6/25/15), then divided by 360 days, and finally multiplied by 30 days. (The appropriate pool rate for 5/01/15 is found on the May 2015 factor report).

**F. Pooling Fees:**

- The FTA pool formation fee is \$30.00 per loan.
- The transfer fee is \$20.00 per loan for each certificate delivered, which is not in the Pool Assembler's name.
- Pool Split Fees are \$20.00 per each pool certificate issued after the pool assembler's master pool certificate has been issued.
- An 1/8% servicing fee is taken from each individual loan that does not already have a fee taken.
- Any new Originator's Fee entered into the 7(a) secondary market on or after July 1, 1989, will be assessed a processing charge of two (2) basis points per annum.
- This charge will be collected monthly from the Borrower's payment and is payable to the FTA.
- Where applicable, the additional charge of two (2) basis points will be added to the FTA servicing fee of 1/8%.

**G. Pool Certificates:**

- Minimum face amount of any pool certificate: \$25,000.00.
- All certificates must be multiples of \$5,000.00, with the exception of one certificate per pool (tail piece).



**Colson Services Corp.**  
2 Hanson Place, 7<sup>th</sup> Floor  
Brooklyn, NY 11217

Should additional questions exist regarding SBA pools, please contact our customer service representative Parbatie Haffiz at (718) 315-5157.

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