

Full Faith and Credit Opinion
With Respect to Sales of
Pool Certificates in the Secondary Market

As the General Counsel of the Small Business Administration (SBA) I am familiar with the forms and documents used by SBA to guarantee loans made to small business concerns by banks and other lending institutions (Lenders) pursuant to agreements to participate with SBA on a deferred (guaranty) basis. I am also familiar with the documents used by SBA and Lenders to transfer in the secondary market the certificates representing beneficial interests in pools consisting of the SBA guaranteed portions of loans. These forms and documents include SBA Form 750 ("Loan Guaranty Agreement" between SBA and Lender), SBA Form 1085 ("Request for Certification of SBA Form 1084") executed by and between SBA, Lender, and the Purchaser (also called the Registered Holder), SBA Form 1086 ("Secondary Participation Guaranty and Certification Agreement") executed by and between SBA, Lender and the Purchaser (also called the Registered Holder), and the "Guaranteed Loan Backed Certificate" (hereafter "Pool Certificate") guaranteed by SBA and issued by its Fiscal and Transfer Agent (FTA). I am also familiar with the provisions of the Small Business Act, as amended, 15 U.S.C. 631 et seq., and with the relevant regulations issued by SBA in Title 13, Code of Federal Regulations, Part 120. These forms, documents and provisions prescribe the conditions for the transfers of the SBA guaranteed portions into pools, the subsequent transfers of the certificates by and between registered holders, and the rights, duties and obligations of the several parties, including SBA.

Based upon the foregoing, it is my opinion that:

1. SBA has the authority to guarantee the timely payment of principal of and interest on Pool Certificates, limited to principal of and interest on the guaranteed portions of loans which compose the pool [Section 5(g) of the Small Business Act, as amended].
2. SBA has the authority to appoint a fiscal and transfer agent to carry out the central registration functions and the issuance of Pool Certificates to facilitate pooling [Section 5(h) of the Small Business Act, as amended].
3. SBA has the authority to purchase the guaranteed portion of a loan in a pool composed solely of the entire guaranteed portions of loans, whether or not the borrower is in default [Sections 5(g) and 7(a) of the Small Business Act, as amended].
4. If a pool loan is prepaid, SBA's guarantee of timely payment of principal of and interest on the pool certificates shall be reduced in proportion to the amount of principal and interest such prepaid loan represents in the pool [Section 5(g) of the Small Business Act, as amended].

5. SBA has the authority to guarantee the interest on prepaid or defaulted loans only through the date of payment on the guarantee [Section 5(g) of the Small Business Act, as amended].
6. SBA has the authority to redeem all pool certificates in a pool due to prepayment or default of all loans constituting the pool [Section 5(g) of the Small Business Act, as amended].
7. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid pursuant to the guarantee of Pool Certificates [Section 5(g) of the Small Business Act, as amended].


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General Counsel

Dated April 22, 1985