

## § 120.1870

register the loan advance and collateral pledge on their respective books and records.

### **§ 120.1870 How does the SISMBD provide funds for the Premium?**

If the SISMBD is paying a Premium for a Guaranteed Portion, an Individual Certificate or a Pool Certificate, it must use its own funds or other borrowed funds to cover the Premium. The SISMBD must send Premium payments to the FTA on or before the settlement date. The FTA will forward Premium payments to the selling SBA Lender or Registered Holder along with the SISMBD Loan funds. In this program, "Premium" is defined as any amount in excess of the principal balance of a Guaranteed Portion or of a Certificate balance.

### **§ 120.1880 How will the loan be repaid?**

(a) The monthly payments of principal and interest, any partial or full repayments, and any Lender purchases of defaulted loans on Certificates that have been pledged as collateral to secure an SISMBD Loan will be assigned by the SISMBD and will be paid by the Lender into a segregated account at the FTA under SBA's ownership and control. The FTA will forward such payments to SBA or its loan servicing agent as directed by SBA. The payments will be used to repay the SISMBD Loan.

(b) When the SISMBD forms a Pool with Certificates pledged as Collateral for an SISMBD Loan or transfers a pledged Certificate, all proceeds, including the principal and accrued interest balance of the SISMBD Loan associated with the pledged Certificates, must be repaid to SBA as payment on the SISMBD Loan before SBA will approve the transfer, release any Collateral and terminate its security interest therein. SBA will not approve any transfers of Guaranteed Portions or Certificates at less than the par value or the original purchase price of the specific Guaranteed Portion or Certificate.

(c) To the extent that SBA is required to make a payment on its guaranty of a Certificate, SBA will reduce the SISMBD Loan balance.

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(d) If the SISMBD Loan has a balance when a payment is required or when the SISMBD Loan matures, the SISMBD may make any required payment, pay the loan in full if it has matured and obtain possession of the Collateral, or SBA may exercise its rights under the Loan Agreements which may include terminating availability under the loan, accelerating the loan and demanding full repayment from the SISMBD, and selling all Collateral. The proceeds from the sale of the Collateral will be used to repay the SISMBD Loan and the SISMBD will be responsible for any remaining unpaid loan deficiency balance.

### **§ 120.1881 How are payments on the Collateral allocated between the SISMBD borrower and repayment of the SISMBD Loan?**

Unless otherwise provided in the Loan Agreements for a particular SISMBD Loan, any payment on Collateral must be assigned to SBA and must be used to repay the SISMBD Loan.

### **§ 120.1882 What happens if funds to make required loan payments are not generated from the Collateral?**

(a) The SISMBD is responsible for all principal and interest payments on an SISMBD Loan. If SBA does not receive full and timely remittances from the Collateral or the SISMBD borrower, SBA may enforce its rights against the SISMBD and the Collateral as set forth in the Loan Agreements, related documents and applicable law.

(b) An SISMBD will have a 30 day grace period during which to make a supplemental payment if remittances from the Collateral are not sufficient to cover the SISMBD Loan payments when they are due. After the grace period, if the loan remains delinquent, SBA may enforce its rights as set forth in paragraph (a) of this section.

### **§ 120.1890 What is the maturity on a SISMBD Loan from SBA?**

The maximum maturity for an SISMBD Loan will be determined by SBA but must be no later than February 16, 2013. If the maturity of the Collateral is shorter than the maturity of the SISMBD Loan, the SISMBD Loan will be due and payable upon payment in full of the Collateral. If the