§ 120.1800  Definitions used in subpart K.

(a) **Administrator**. The Administrator of the U.S. Small Business Administration.

(b) **Authority**. The Secondary Market Lending Authority defined herein.

(c) **Certificate**. The document the FTA issues representing a beneficial fractional interest in a Pool (Pool Certificate), or an undivided interest in the entire guaranteed portion of an individual 7(a) guaranteed loan (Individual Certificate).

(d) **Collateral (or Collateral for a SISMBD Loan)**. All Guaranteed Portions and Certificates (and proceeds thereof) that are purchased with SISMBD Loan proceeds, collateral assignments of the SBA Form 1086 (Secondary Market Participation Agreement) or SBA Form 1088 (Form of Detached Assignment for U.S. Small Business Administration Loan Pool or Guaranteed Interest Certificate) for all Guaranteed Portions and Certificates purchased with SISMBD Loan proceeds, the agreement for Lender/FTA payment of amounts due under the Guaranteed Portions and Certificates, and any other asset that is pledged to secure a SISMBD Loan.

(e) **Commitment Letter**. The document or documents containing the terms and conditions under which SBA agrees to lend money for a specific period of time to a Systemically Important SBA Secondary Market Broker-Dealer defined in Section 120.1810 of Subpart K and pursuant to Section 509 of the American Recovery and Reinvestment Act of 2009.

(f) **FTA**. SBA’s fiscal and transfer agent.

(g) **Guaranteed Portion**. That portion of an SBA 7(a) loan sold in an SBA Secondary Market transaction. This guaranteed portion of a 7(a) loan once sold is certificated, carries a guarantee backed by the full faith and credit of the United States and bestows upon the Registered Holder the right to receive payments.

(h) **Individual Certificate**. The instrument representing a beneficial interest in the Guaranteed Portion of an individual 7(a) loan sold in the SBA Secondary Market Program and carries a guarantee which is backed by the full faith and credit of the United States.

(i) **Loan Advance Request Form**. The form approved by SBA wherein an SISMBD requests a specific dollar amount that will be used to purchase certain guaranteed portions or Certificates. This amount, when added to the balance outstanding of the SISMBD’s existing SISMBD Loan, must be equal to or less than the SISMBD loan amount.

(j) **Loan Agreements**. Collectively, any loan agreement executed between SBA and the SISMBD that contains the basic terms and conditions which control the SISMBD Loan, together with any notes, security documentation, custodial agreement, and any other ancillary documentation executed in connection therewith, including by reference, the regulations and other documents referenced in the regulations.

(k) **On-going Subsidy Fee**. An annual fee collected monthly, based on the outstanding SISMBD loan balance, pursuant to section 509(F) of the Recovery Act, to result in a cost of the direct loan of zero, as determined under the Federal Credit Reform Act of 1990, as amended. These funds generated by the fee serve as a reserve for program losses. The fee will be published in a notice by SBA prior to the commencement of the Program and from time to time thereafter. SBA will communicate the SBA On-going Subsidy Fee to the systemically important broker-dealers.

(l) **Pool Assembler**. A financial institution that is authorized by SBA to:

1. Organize and package Pools by acquiring SBA guaranteed portions of 7(a) loans from Lenders or Individual Certificates from Registered Holders;
2. Resell fractional interests in the Pools to Registered Holders; and
3. Direct the FTA to issue Certificates.
§ 120.1801 Program purpose.

Section 509 of the American Recovery and Reinvestment Act of 2009 (Recovery Act) authorizes SBA to temporarily make direct loans to broker-dealers to ensure the continued operation of the SBA Secondary Market for 7(a) small business loans guaranteed by SBA. Such broker-dealers are referred to in the Recovery Act as Systemically Important SBA Secondary Market Broker-Dealers.

§ 120.1802 How does a broker-dealer participate in the SISMBD Loan Program?

A Pool Assembler must meet the eligibility requirements in §120.1820, submit an SISMBD Loan Application to SBA that includes the information specified in §120.1822, obtain a written loan commitment from SBA, execute, among other documents, Loan Agreements, and satisfy all other SBA requirements. The Loan Agreements provide further details on the requirements that apply to an SISMBD seeking an SISMBD Loan.