

Basics of SBA's Secondary Market Sales



Purpose Behind Secondary Market



The Sales Process – Securing a Bid

- ✓ **Upon full disbursement of loan, Lender seeks bids from Broker/Dealers.**
- ✓ **Lender provides loan characteristics**
- ✓ **Standard Bid sheet available at:**

www.Colsonservices.com



Active SBA Pool Assemblers

Active SBA Pool Assemblers						MAY 2016
Company	Contact	Address	City	State	ZIP / Postal Code	Telephone Number
Cantor Fitzgerald & Co.	Jon A. Blizzard	110 59th Street	New York	NY	10022	212-829-5209
Coastal Securities, L.P.	John Cioccia	5555 San Felipe 22nd Floor	Houston	TX	77056	713-435-4360
FTN Financial Capital Markets	Penny Michael	845 Crossover Lane, Suite 150	Memphis	TN	38117	901-435-8645
J.P. Morgan Securities LLC	John Winchester	270 Park Ave.	New York	NY	10017	212-834-4998
KGS-Alpha Capital Markets, L.P.	John Haley	601 Lexington Avenue, 44th Fl	New York	NY	10022	646-588-2100
Performance Trust Capital Partners	Adam Buresh	500 W. Madison Street, Suite 350	Chicago	IL	60606	312-521-1730
PrinceRidge Group, LLC The	Lance Roth	1633 Broadway, 28th Floor	New York	NY	10019	410-560-3309
Raymond James Bank, FSB	Frank Reyes	710 Carillon Parkway	St. Peteresburg	FL	33716	901-684-7612
Signature Bank	Mary Mims	565 Fifth Avenue	New York	NY	10017	713-300-6106
Sun Trust Bank	Laura Richardson	303 Peachtree Street, 25th Floor	Atlanta	GA	30308	404-588-7114
Vining Sparks IBG, LP	Beth Ousley	6077 Primacy Parkway, Suite 427	Memphis	TN	38119	901-766-3082
ZB, NA	Rick Burtenshaw	One South Main St.	Salt Lake City	UT	84111	801-524-4640

Source: <https://www.sba.gov/content/active-list-sba-pool-assemblers>

The Sale Process – Document Delivery

After selecting bid, Lender and broker dealer assemble documents for sales review and settlement by FTA.

- **SBA Note, Form 147**
- **SBA Form 1086**



The Sale Process – Document Review

The FTA examines the documents for accuracy, and works with the Broker/Dealer and Lender to fix any deficiencies.



The Sale Process – Sales Settlement

The FTA issues investor certificate and remits funds to Lender



Full Faith and Credit Guarantee

Colson issues a Guaranteed Interest Certificate to the investor, evidencing investor ownership of the guaranteed portion of the SBA. The certificate is backed by the full faith and credit of the U. S. Government.

GUARANTEED INTEREST CERTIFICATE
GUARANTEED BY
SMALL BUSINESS ADMINISTRATION
OF THE UNITED STATES GOVERNMENT

SPECIMEN

SBA LOAN NUMBER _____
SBA SERVICING OFFICE _____
(CITY) _____
(STATE) _____
REGISTERED HOLDER _____

PRINCIPAL AMOUNT OF GUARANTEED INTEREST \$ _____
AS OF _____ (SBA WARRANTY DATE)
CERTIFICATE SCHEDULED MATURITY DATE _____
CERTIFICATE INTEREST RATE _____
BASE RATE AND DIFFERENTIAL (IF VARIABLE RATE) _____
SCHEDULED PAYMENT PERIOD _____
BORROWER'S PAYMENT DATE _____

THE ABOVE NAMED REGISTERED HOLDER SHALL RECEIVE PAYMENTS OF PRINCIPAL PLUS INTEREST AT THE CERTIFICATE INTEREST RATE WITH RESPECT TO THE GUARANTEED INTEREST IN THE ABOVE LOAN THROUGH THE FISCAL AND TRANSFER AGENT ("FTA") AS DESIGNATED BY THE SMALL BUSINESS ADMINISTRATION ("SBA") PURSUANT TO THE TERMS OF THE REQUEST FOR CERTIFICATION OF SBA FORM 1084 ("SBA FORM 1084") ON THE SECONDARY PARTICIPATION, GUARANTEE AND CERTIFICATION AGREEMENT ("SBA FORM 1086") EXECUTED BY SBA, THE LENDER AND THE PURCHASER OR HOLDER (AS THE CASE MAY BE) OF THE GUARANTEED INTEREST IN THE LOAN (AS SUCH TERMS ARE DEFINED IN SUCH AGREEMENTS). THE RIGHTS AND OBLIGATIONS OF THE REGISTERED HOLDER HEREOF SHALL BE GOVERNED BY THE TERMS OF THE SBA FORM 1085 OR SBA FORM 1086 (AS THE CASE MAY BE) WHICH AGREEMENT IS INCORPORATED HEREIN BY REFERENCE AND MADE A PART HEREOF, AND TO WHICH THE REGISTERED HOLDER BY ACCEPTANCE HEREOF ASSENTS. A COPY OF THE EXECUTED SBA FORM 1085 OR SBA FORM 1086 (AS THE CASE MAY BE) MAY BE OBTAINED FROM THE FTA UPON REQUEST THEREFOR AND PAYMENT OF A REPRODUCTION FEE. THE REGISTERED HOLDER ENTITLED TO RECEIVE PAYMENTS WITH RESPECT TO THE CERTIFICATE SHALL BE THE PERSON OR ENTITY REGISTERED AS SUCH ON THE BOOKS OF THE FTA AS OF THE LAST DAY OF ANY MONTH. PERIODIC PAYMENTS TO THE REGISTERED HOLDER BY THE FTA SHALL BE AT THE FREQUENCY ESTABLISHED BY THE SCHEDULED PAYMENT PERIOD AND SHALL BE REMITTED ON THE FIFTEENTH DAY OF THE MONTH OR AS OTHERWISE PROVIDED IN THE SBA FORM 1085 OR THE SBA FORM 1086 (AS THE CASE MAY BE). THE LAST SUCH PAYMENT IS SCHEDULED TO BE REMITTED BY THE FTA ON THE SCHEDULED MATURITY DATE, BUT, AS PROVIDED IN THE SBA FORM 1085 OR SBA FORM 1086 (AS THE CASE MAY BE), THE LOAN MAY TERMINATE IN A CASE OTHER THAN ITS MATURITY DATE, IN WHICH CASE THIS CERTIFICATE WILL BE CALLED FOR REDEMPTION AND WILL CEASE TO ACCRUE INTEREST AS OF SUCH TERMINATION DATE.

THE REGISTERED HOLDER MUST EXECUTE AN AFFIDAVIT TO BE SUBMITTED TO SBA THROUGH THE FTA (ON A FORM PRESCRIBED BY SBA) WHICH SHALL STATE THAT SUCH PERSON OR ENTITY, AT THE TIME IT PURCHASED THE GUARANTEED INTEREST, WAS NOT THE BORROWER, THE LENDER, OR AN "ASSOCIATE" OF EITHER OF THEM (AS DEFINED IN TITLE 31, CODE OF FEDERAL REGULATIONS, PART 120), AND HAD NOT PARTICIPATED IN NOR BEEN AWARE OF ANY NEGLIGENCE, FRAUD OR MISREPRESENTATION BY THE LENDER OR THE BORROWER WITH RESPECT TO THE UNDERLYING NOTE. THE EXECUTION OF SUCH AFFIDAVIT WILL BE SUBJECT TO THE FALSE CLAIM PENALTIES UNDER 18 U.S.C. 1501.

THIS CERTIFICATE IS ISSUED BY SBA THROUGH THE FTA AND IS TRANSFERABLE ONLY ON THE REGISTER MAINTAINED BY THE FTA AND ONLY BY COMPLETION OF THE TRANSFER FORM ON THE REVERSE HEREOF OR A FORM OF DETACHED ASSIGNMENT APPROVED BY SBA. TRANSFERS OR REISSUES OF THIS CERTIFICATE SHALL BE MADE ONLY UPON PRESENTATION OF THIS CERTIFICATE AT THE OFFICE OF THE FTA. THE EFFECTIVE DATE OF THE REGISTERED HOLDER'S RIGHTS AND OBLIGATIONS HEREUNDER IS THE DATE ON WHICH THE FTA ISSUES AND COUNTERSIGNS THIS CERTIFICATE (THE "AUTHENTICATION DATE").

IF YOU ACQUIRED THIS CERTIFICATE TO BE ISSUED AND COUNTERSIGNED BY ITS DESIGNATED FTA, IDENTIFIED BELOW AS IT IS EXECUTED UNDER THE SEAL OF SBA WITH AN AUTHORIZED FACSIMILE SIGNATURE AND A FACSIMILE OF THE SBA SEAL, THIS CERTIFICATE IS NOT VALID UNTIL COUNTERSIGNED BY THE FTA.

COLSON
COLSON VINCIGUERRA
FISCAL AND TRANSFER AGENT

SMALL BUSINESS ADMINISTRATION
UNITED STATES SMALL BUSINESS ADMINISTRATION

1953
1953

Hector V. Barreto
BY HECTOR V. BARRIETO
ADMINISTRATOR

AUTHORIZED SIGNER
AUTHENTICATION DATE: _____

Sources of Revenue

Three sources of revenue from an SBA loan sold into the Secondary Market at a premium:

- 1. Gain on Sale Above Par Value**
- 2. Interest Income on the retained or unguaranteed portion of the loan**
- 3. Servicing Fee Income on the sold or portion of the loan**



Loan Servicing

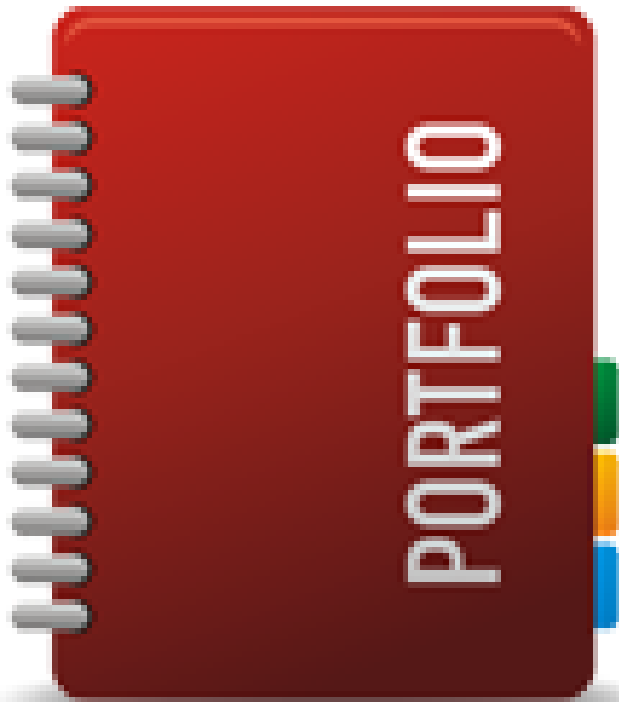
- **Any modifications to the Note, such as deferments, interest rate and maturity changes, or changes to how the loan floats if it is variable rate, must be submitted to the FTA for approval by the investor**
 - **(Form 1086 Section D Payment Modifications)**
- **The Lender is allowed one three-month deferment on the Note without investor approval, but the FTA must be notified of the deferment so it can record it**



SBA Form 1502

Payment Remittance and Loan Reporting

- Captures ALL loan data and payment remittances
- Acts as pass through report
- Drives SBA Loan Performance Measures
- Timely submission is required under Section 6 of the Form 1086



Loan Defaults

- **Payment Default Only**
- **More Than 60 Days in Arrears**
- **FTA will notify SBA on behalf of Investors**
- **Lender may opt to purchase guarantee, otherwise SBA will purchase it back from the market**



Loan Prepayments

- Pursuant to Paragraphs 10 and 15 of the 1086, the Lender must provide Colson with a 10-business day notification of a Borrower payoff or a Lender repurchase
- Payoffs must be submitted via wire with a Form 1502
- Interest must be paid to the date of the payoff
- Lender must also send Colson a Prepayment Certification stating that the payoff represents the Borrower's own funds, funds Borrowed pursuant to a separate transaction or the loan has defaulted



Secondary Market Resources

Forms and Information

- **SBA Form 1086, SBA Form 1502, the Prepayment Certificate and all other Secondary Market forms will be available on either SBA's website www.sba.gov/for-lenders and on Colson's website, www.colsonservices.com**



Bridging the Gap

