

and Reinvestment Act of 2009 to provide loans to systemically important SBA Secondary Market broker-dealers to be used for the purpose of financing the inventory of the government guaranteed portion of loans originated, underwritten and closed under the Small Business Act or pools of such loans.

(u) *SISMBD*. Systemically Important SBA Secondary Market Broker-Dealer, as defined in Section 120.1810 of this Subpart K of Chapter 13 of the Code of Federal Regulations.

(v) *SISMBD Loan Application*. The application, in the form approved by SBA, wherein an SISMBD applies for an SISMBD Loan.

(w) *SISMBD Loan*. A direct loan made by SBA to a Systemically Important SBA Secondary Market Broker-Dealer to assist with the financing of the purchase and sale of Guaranteed Portion of loans originated, underwritten and closed under Section 7(a) of the Small Business Act. Recipients of an SISMBD loan must use the proceeds for the sole purpose of purchasing Guaranteed Portions of 7(a) loans from SBA Lenders and Individual Certificates or Pool Certificates from Registered Holders.

(x) *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. The funds generated by this 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.

§ 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.

§ 120.1810 What is a Systemically Important SBA Secondary Market Broker-Dealer (SISMBD)?

A systemically important SBA Secondary Market broker-dealer as a Pool Assembler that has routinely engaged in the purchase and sale of the Guaranteed Portion of 7(a) loans or pools of Guaranteed Portions originated, underwritten and closed under the Small Business Act.

§ 120.1820 What are the basic eligibility requirements for SBA designation as a Systemically Important Secondary Market Broker-Dealer?

(a) To be eligible for an SBA designation as an SISMBD a broker-dealer must:

(1) Be a Pool Assembler as defined in Subpart F Section 120.600 of this Part 120;

(2) Satisfy all of the requirements of Section 120.630 this Part 120;

(3) Have not been suspended or terminated, and not be currently the subject of or eligible for an SBA suspension or termination procedure; and

(4) Have engaged in a specific dollar volume of SBA Secondary Market purchases of Guaranteed Portions from SBA Lenders and Certificates from Registered Holders and have sold a specific percentage of the total dollar volume of sales of Pools in the SBA Secondary Market during the same time-frame.

(b) Pool Assemblers that are unable to meet the requirements in paragraph (a) of this section at the commencement of the Program may qualify at a later date. On a quarterly