

§ 120.1831

13 CFR Ch. I (1–1–10 Edition)

be allowed. The SISMBD may not grant any junior security interests in the Collateral during the term of the SISMBD Loan.

(g) *Default.* If for any reason an SISMBD is unable to make payment to SBA when due or any other event of default as described in the Loan Agreements occurs, SBA may, among other things, terminate availability under the SISMBD Loan, accelerate the SISMBD Loan, demand payment in full, and avail itself of any and all rights and remedies available under the Loan Agreements or otherwise available under the law.

(h) *Term.* The SISMBD may continue to seek advances under an approved and fully documented SISMBD Loan until January 31, 2011. An SISMBD Loan maturity date must not exceed February 16, 2013.

(i) *On-going subsidy fee.* An annual fee will be 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 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 Ongoing Subsidy Fee to the systemically important broker-dealers.

(j) *Closing and execution of loan documents.* Prior to the expiration of the Commitment Letter, SBA will schedule a closing on the SISMBD Loan. At closing, the SISMBD will be required to execute Loan Agreements, including but not limited to, a loan agreement, promissory note, security agreement, custodial agreement and other documents as required in SBA's sole discretion.

(k) *Review prior to advances.* Prior to approving an advance request under an SISMBD Loan, SBA will require the SISMBD to represent and warrant that:

(1) There has been no material adverse change in the SISMBD's financial condition, ownership structure or control persons or the overall nature of business since the approval of the SISMBD's loan application and

(2) The SISMBD is not subject to any regulatory action and is not under civil or criminal investigation. SBA may conduct a review or require the SISMBD to provide information to verify the representations and warranties.

§ 120.1831 Is there a limit to the number of SISMBD Loans or advances that an SISMBD may request from SBA?

No, there is no limit to the frequency in which an SISMBD may borrow under the Secondary Market Loan Program unless the Administrator determines that doing so would create an undue risk of loss to SBA or the United States. In order to mitigate the risk of loss, SBA has determined that an SISMBD may request an unlimited number of loans or advances as long as the balance outstanding on the SISMBD Loan does not exceed the total dollar limit stated in the Commitment Letter. SISMBD Loans will be structured as a revolving line of credit.

§ 120.1832 What is the minimum and maximum SISMBD Loan advance amount?

There is no minimum or maximum loan advance amount. Because availability under the SISMBD Loan is capped as set forth in 120.1830, the amount of any loan advance cannot exceed the available credit identified in the Commitment Letter.

§ 120.1833 May an SISMBD request an increase in the loan amount?

(a) SBA will consider a request for an increase in the maximum amount of an SISMBD Loan as identified in the Commitment Letter if the applicant can show the increase is essential to its continued participation in the SBA Secondary Market.

(b) Applicants must request a loan increase by submitting an application to the Director of the Secondary Market Lending Authority by January 31, 2011.

§ 120.1834 What fees are associated with an SISMBD Loan?

The borrower must pay to SBA an On-going Subsidy Fee which will cover SBA's subsidy costs associated with the SISMBD Loan Program.