§ 120.1840 What are the allowable uses of proceeds of an SISMBD Loan?

(a) The SISMBD must use loan proceeds solely to purchase Guaranteed Portions from SBA Lenders, Individual Certificates or Pool Certificates from Pool Assemblers or Registered Holders.

(b) SBA will not advance more than the purchase price of the Guaranteed Portions or the Certificate. Thus, if the Guaranteed Portion or Certificates are purchased at a discount to the principal balance, SBA will not advance more than the purchase price.

(c) SBA will not finance the purchase of Guaranteed Portions or Certificates unless the Guaranteed Portions or Certificates carry an interest rate equal to or greater than the interest rate payable to SBA under the SISMBD Loan.

(d) The SISMBD Loan proceeds shall not be used to purchase any Premium portion of a purchase price that is paid to a selling SBA Lender, Registered Holder, or any other individual or entity.

(e) SISMBD Loan proceeds shall not be used to refinance existing debt of the SISMBD, finance existing inventory of the SISMBD, or for any purpose other than as set forth in this Section.

§ 120.1850 Will the Collateral be held by SBA?

Yes, SBA or its expressly authorized agent will take physical possession of all Collateral. SBA or its expressly authorized agent shall maintain all Collateral for SISMBD Loans in a custodial account. Certificates held as Collateral must be in paper, not book entry form.

§ 120.1860 How will the SISMBD Loan be disbursed?

(a) Loan proceeds will be disbursed to the FTA by SBA to be applied to the purchase price for the Guaranteed Portions or Certificates being purchased by the SISMBD. Disbursement to the FTA is contingent upon receipt by SBA, the FTA, or SBA’s settlement agent of the Guaranteed Portions or Certificates being purchased and any other Collateral required by SBA and verification of the required first lien position. SBA will advance the principal amount or the purchase price of the Guaranteed Portion or the Certificate, whichever is less. Thus, if the loan is purchased at a discount to the principal balance, SBA will not advance more than the purchase price.

(b) Provided an SISMBD has executed all required loan documents, when an SISMBD requests an advance under its SISMBD Loan, it will submit a written Loan Advance Request Form to the FTA and SBA along with the SBA Form 1086 or 1088 for processing. The FTA will notify SBA that a particular SISMBD requests an advance of a certain amount of funds on a specific settlement date to purchase: a Guaranteed Portion which will be evidenced by an Individual Certificate, a Pool Certificate, or an existing Individual Certificate. Provided that the SISMBD has met all of the terms and conditions of the Loan Agreements, related documents, and these regulations, and is not in default under the loan documents, on the settlement date for the SBA Secondary Market transaction, SBA will wire the funds to the FTA. The FTA will use loan proceeds and any Premium payment from the SISMBD to pay the SBA Lender or Registered Holder the purchase price.

(c) The SISMBD must identify the SBA Lender or Registered Holder expected to deliver to SBA or its settlement agent the Guaranteed Portions or Certificates that are being purchased with SISMBD Loan proceeds, and upon delivery the Guaranteed Portions or Certificates will become Collateral for the SISMBD Loan.

(d) On the SBA Secondary Market transaction settlement date, the SBA Lender or Registered Holder will deliver the purchased Guaranteed Portions or Certificates to the FTA or SBA’s settlement agent. The FTA or SBA’s settlement agent will use loan proceeds and any Premium payment from SISMBD to pay the SBA Lender or the Registered Holder the purchase price upon delivery of all Guaranteed Portions or Certificates that collateralize the SISMBD Loan to the FTA or SBA’s settlement agent and the Guaranteed Portions or Certificates will become Collateral.

(e) Upon settlement the FTA, SBA, SBA’s settlement agent and the administrator of the custodial account will