Lenders participating in this pilot program will be given the ability to attach an SBA guaranty to an approved loan without having to submit the loan application to an SBA field office for a credit analysis or review. These loans will be sent to a single location for assignment of an SBA loan number and a determination of borrower eligibility.

In return for this flexibility and the ability to attach an SBA guaranty to a loan without prior review by SBA, lenders will agree to: limit the maximum loan amount to \$100,000; accept a maximum guaranty of 50 percent; and, waive payment on defaulted loans until after the lender has completed liquidation and SBA has reviewed the underlying documentation supporting the loan. The payment of interest on defaulted loans will be limited to 120 days. Lenders will be responsible for loan servicing and liquidation and will be required to indemnify SBA against any loss due to documentation drafting errors or negligent servicing and liquidation.

Many aspects of the existing SBA guaranteed loan program will continue to be utilized in FA\$TRAK. Borrowers who are not eligible for assistance under the existing program will not be eligible under FA\$TRAK. Lenders will be provided with general guidance on eligibility; however, the SBA loan processing office will make an eligibility determination. Lenders must negotiate interest rates that are within the SBA maximum interest rate ceiling. The current SBA policy on fees charged by the lender will remain in effect. SBA reserves the right to review any fees charged by a lender that the applicant considers to be unreasonable. If SBA determines that such fees are unreasonable, the lender agrees to return the excess to the applicant.

During the pilot program, lenders will not be permitted to sell the guaranteed portion of these loans into the secondary market because SBA will not have reviewed the loan documentation for these loans prior to such sale.

Lenders will be permitted to reduce their exposure to an existing borrower of the bank by making a FA\$TRAK loan only if the existing loan has always been current (no payment more than 29 days late).

The pilot program is scheduled to last 2 years, beginning on February 27, 1995. Prior to the termination date, SBA will review the experience with the program and determine if final rules and regulations will be developed.

The Rules and Regulations for the Preferred Lenders Program may be found at 13 CFR 120.400. During this pilot, various sections of SBA rules will be suspended only for FA\$TRAK loans made by lenders participating in the FA\$TRAK program. The suspended sections include, but are not limited to, Section 120.102–2, 120.402–2, 120.403– 2 and 120.403–4. A copy of the FA\$TRAK supplemental guaranty agreement and the program guide are attached to this notice. These documents provide more detailed information on the operation of the pilot program.

Philip Lader,

Administrator.

Small Business Administration

Supplemental Guaranty Agreement FA\$TRAK

This agreement is made this ______ day of ______, 19____ ("the effective date") by and between the ______ ("Lender") and the U.S. Small Business Administration ("SBA"), an agency of the United States Government.

Whereas, this is a Supplemental Guaranty Agreement ("Supplemental Agreement") to the Loan Guaranty Agreement (SBA Form 750, dated 10– 83) between the parties hereto, dated

_____, ("the Guarantee Agreement") all the provisions of that SBA Form 750 are applicable to loans made by lender to small business concerns under the FA\$TRAK program, which is a process for approving, servicing and liquidating loans made under the Preferred Lenders Program (PLP), except as otherwise provided herein.

Whereas, the parties intend under this Supplemental Agreement for the Lender to perform the processing and most of the servicing and liquidating tasks associated with loans of \$100,000 or less in principal amount under the FA\$TRAK portion of the Preferred Lenders Program;

The parties agree as follows:

1. Under this Supplemental Agreement, Lender will be permitted to issue an SBA guaranty for any loan of \$100,000 or less in principal amount approved under FA\$TRAK procedures which meets the requirements and standards for FASTRAK loans. Except as specifically provided herein or in the Program Guide for FA\$TRAK, such loans are subject to all PLP Rules and Regulations as promulgated from time to time. Lender shall have the authority to issue a loan guaranty agreement and such other loan approval forms as may be necessary in order to permit a small business to receive a FA\$TRAK loan from the Lender.

2. In conjunction with each FA\$TRAK loan, the Lender shall be permitted to use its own application forms and other credit documents normally required by

it for approving loans, and its own note and other forms of loan documentation specifically including a settlement sheet and all other instruments which it uses to make, service and liquidate similar loans in a manner consistent with prudent lending practices and loan documentation. After Lender performs a thorough credit analysis relative to an application for a FA\$TRAK loan, it will forward such summary information as SBA requires in the Program Guide for FA\$TRAK to the SBA's FA\$TRAK Processing Center. SBA will endeavor to provide Lender with an SBA loan number within one working day of receipt of the summary information.

3. Lender assumes the responsibility for the completeness of each FASTRAK application package and all documentation it has relieved upon to make a credit judgment for a FASTRAK loan. Lender agrees to require approved borrowers to execute SBA Form 1920 prior to first disbursement {this form contains requirements that are mandated by Congress as a condition for receiving federal financial assistance}.

4. The percentage of SBA's guaranty of a loan guaranteed under this Supplemental Agreement shall not exceed fifty percent (50%) of the outstanding principal amount of the loan at the time of disbursement.

5. Approval of a loan under procedures established by this Supplemental Agreement shall constitute certification by the Lender, to the best of its professional knowledge and judgment at the time of loan approval, and in accordance with standard and prudent lending practices, that:

a. The partners, principal owners, officers, and management of the applicant are of good charter;

b. There is a reasonable assurance of repayment by the borrower according to the terms determined by the lender;

c. Without the guaranty of the SBA, the loan funds would not otherwise be available on reasonable terms to the applicant, or from the personal resources of the principal owner of the applicant; and

d. The Lender is not and will not be in a superior lien position on any collateral securing the FA\$TRAK loan, unless the application file contains an explanation leading to the necessity of the subordinated lien position and a complete description of the lien positions as a result of the subordination.

6. Lender agrees that it will not approve any FA\$TRAK loan application on which the Applicant has noted any outstanding SBA business, disaster or development company loans