A. Receive satisfactory evidence that there has been no unremedied adverse change since the date of the Application, or since any of the preceding disbursements, in the financial or any other condition of Borrower which would warrant withholding or not making any such disbursement or any further disbursement.

B. Receive evidence of the kind described below from an independent authoritative source which is sufficient to indicate to Lender that any collateral property is not in a special flood hazard area. If such evidence is not provided to Lender, Lender must obtain from Borrower agreement to obtain, and maintain, a Standard Flood Insurance Policy or other appropriate special flood hazard insurance in an amount and coverage equal to the lesser of (1) the insurable value of the property or (2) the maximum limit of coverage available. The Borrower can show that special flood hazard insurance has been acquired by submitting a copy of the policy or providing evidence of premium payment for the appropriate coverage to a licensed insurance agent. Borrower will not be eligible for either any future disaster assistance or SBA business loan assistance if the special flood hazard insurance is not maintained as stipulated herein throughout the entire term of its loan.

As evidence that the property is not located within a special hazard area subject to flooding, mudslides, or erosion, Lender may rely on a determination of special flood hazard area status by the applicant's property & casualty insurance company, real estate appraiser, title insurance company, a local government agency or other authoritative source acceptable to SBA which would ordinarily have knowledge of the special flood hazard area status for the property.

C. In the construction of a new building or an addition to a building, obtain agreement from the Borrower that the construction will conform with the "National Earthquake Hazards Reduction Program Recommended Provisions for the Development of Seismic Regulations for New Buildings." Compliance with these requirements shall be evidenced by a certificate issued by a licensed building architect, construction engineer or similar professional, or a letter from a state or local government agency stating that the issuance of an occupancy permit is required and is subject to conformance with building codes and that the local building codes include the Seismic standards.

The following codes have been identified as being substantially equivalent to the National Earthquake Hazards Reduction Program (NEHRP) Recommended Provisions: 1991 Uniform Building Code of the International Congress of Building Officials (ICBO); 1992 Supplement to the Building Officials and Code Administrators (BOCA) National Building Code; 1992 Amendments to the Southern Building Code Congress (SBCC) Standard Building Code.

D. Obtain agreement from the Borrower that it will, to the extent feasible purchase only American-made equipment and products with the proceeds of this loan.

E. For any loan involving construction of more than \$10,000, require borrower and contractor to execute SBA Form 601, Applicant's Agreement of Compliance. Appendix 4 is a copy of Form 601. This form must be retained in the loan file, but does not have to be submitted to the FA\$TRAK Processing Center.

(4) The Small Business Act requires that all borrowers supply information regarding payments to loan packagers, accountants, appraisers, lawyers, or any other individual or entity that assisted the borrower in obtaining the loan. SBA Form 159 may be used for this purpose or the lender may use its own form as long as the information required by SBA Form 159 is supplied by the borrower and the service provider. Appendix 5 is a copy of Form 159. This form must be retained in the loan file, but does not have to be submitted to the FA\$TRAK Processing Center. If the applicant did not pay anyone to assist in the preparation of the loan, a written certification to that effect is sufficient to meet this requirement.

VII. Loan Servicing

A. Lenders will be permitted to service loans approved under FA\$TRAK using the same policies and procedures used for the lender's conventional loan portfolio. These policies and procedures must be based on prudent lending practices and the FA\$TRAK lender should be prepared to demonstrate to SBA that a servicing action taken on a FA\$TRAK loan is consistent with actions taken on loans in the lender's unguaranteed portfolio.

B. There are two actions that cannot be delegated to the FA\$TRAK participating lender. They are:

(1) Selling or accepting a compromise settlement of any indebtedness guaranteed by SBA for a sum less than the total amount due on the loan, and

(2) Enforcing compliance by the borrower with non-discrimination

regulations (13 CFR Part 113). This enforcement shall be subject to action by SBA.

C. SBA must be notified of any servicing action that alters any of the repayment terms of the loan. This includes, but is not limited to, changes in the interest rate on fixed rate loans or the interest rate spread on variable rate loans, maturity, or payment schedule. Notification should be sent to the servicing office responsible for the loan. The servicing office address will be provided to the FA\$TRAK lender along with the loan number.

D. Lender may release collateral as necessary. Due to the perception of a preference for the FASTRAK lender, care should be taken to fully document and justify any release of collateral for an SBA guaranteed loan that will subsequently be pledged for a conventional loan from the lender.

VIII. Loan Liquidation

A. A participating lender will be expected to fully liquidate any loan approved using FA\$TRAK. The lender must follow the same policies and procedures it uses for its nonguaranteed portfolio and should be prepared to demonstrate that it has done so. All liquidations of FA\$TRAK loans must be commercially reasonable.

B. Proceeds from the sale of collateral shall be applied first to the expenses associated with the liquidation, secondly, to the 120 days of interest permitted on the balance as of the earliest uncured default and finally to the principal balance. SBA will not pay to the lender an amount in excess of 50% of the loan balance at the time of default plus 120 days of interest at the rate in effect on the date of default. The Lender must absorb any expenses that exceed this amount.

C. Any action taken during the liquidation of a loan must be fully documented. SBA will review liquidation actions as part of the general review of a lender's use of the FA\$TRAK program. It is not necessary to provide a liquidation plan to SBA.

D. SBA reserves the right to purchase its guaranty prior to liquidation and to liquidate the loan using SBA personnel, however, it is expected that this right will be used only in very unusual circumstances.

E. Lender is permitted to take back a Note Receivable on the sale of collateral on any terms negotiated between the lender and the buyer. The Note Receivable will not have an SBA guaranty.

F. Lender is to insure that ordinary protective measures are taken. Expenses associated with the protection of