

## DEFAULT PROCESS FOR SBA LOANS

### Repurchase of the loan by the originating lender

### Sample Calendar

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| 1. The fiscal and transfer agent ("FTA") will provide to each field office by the last business day of each month a list of loans which are in arrears (60 days past due).  | <b>December 30</b>                             |
| 2. Within <b>five (5) business days of receipt</b> of the list, the SBA field office will contact the lender to determine the status of the loan.   | <b>January 9</b>                               |
| 3. A loan requires action when:<br>a) The interest paid to date is <b>more than sixty (60) days in arrears</b> .<br>b) Borrower payment default of any installment of principal and interest that has continued <b>uncured for more than sixty (60) days</b> .  |  |
| 4. SBA will, in consultation with the lender, decide on an appropriate remedial action, or determine whether the lender will be offered the option to repurchase the guaranteed portion of the loan. This <b>decision</b> will be made by the SBA <b>within ten (10) business days of the first contact with the lender</b> . | <b>January 24</b>                              |
| 5. The SBA will notify the FTA in writing of the action to be taken <b>within five (5) business days of the decision</b> .  | <b>January 31</b>                              |
| 6. Where the decision is for the lender to repurchase the loan, the FTA, at its option, may request a transcript of account from the lender. <b>The lender must provide the transcript within ten (10) business days of receipt of the request from the FTA</b> .   | <b>February 14</b>                             |
| 7. The FTA and the lender will <b>reconcile the transcript of account within ten (10) business days</b> of the receipt of the transcript by the FTA. If the FTA and the lender cannot agree on a balance and paid to date, the SBA field office will immediately determine the final numbers.                                 | <b>March 1</b>                                 |
| 8. Within ten (10) business days of the reconciliation, the lender will transmit and the <b>FTA will receive ten (10) business days advance written notice of the date of repurchase</b> .  | <b>March 15 (Notify)<br/>March 29 (Payoff)</b> |

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| 9. <b>Within two (2) business days</b> of receipt of repurchase notification, the <b>FTA will notify the registered holder</b> of the repurchase date and request the holder to forward the certificate to the FTA for redemption.   | <b>March 17</b> |
| 10. On the date of the repurchase, the lender, without further notice from the FTA, will forward by wire transfer a payment to the FTA that includes the <b>outstanding principal balance of the loan plus interest through the date immediately preceding the date of the wire transfer</b> (up to but not including the date of the wire). | <b>March 29</b> |
| 11. The FTA shall remit the funds to the registered holder <b>within two (2) business days</b> of receipt of the lender's wire transfer. The FTA will <b>deduct \$20 from the wire</b> , representing a final transfer and redemption fee.   | <b>March 31</b> |

**Repurchase of the loan by the SBA**

**Sample Calendar**

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|---|--|
| 1. Written notices will be given to the lender and the FTA when the SBA is to repurchase the loan.  | <b>January 31</b>                                |
| 2. <b>Within five (5) business days</b> of SBA's notice, the lender and the FTA will provide a transcript and final statement of account of the loan to the SBA.  | <b>February 7</b>                                |
| 3. SBA will reconcile the transcripts and the reconciliation is final.  |  |
| 4. Within ten (10) business days of the final reconciliation of the account, <b>SBA will provide ten (10) business days advance written notice to the FTA of the date of the final payment.</b>   | <b>February 22 (Notify)<br/>March 8 (Payoff)</b> |
| 5. <b>The FTA, within two (2) business days of the receipt of the written notice, will notify the registered holder</b> of the repurchase date and request the registered holder to forward their guaranteed interest certificate to the FTA. | <b>February 24</b>                               |
| 6. On the repurchase date, the SBA will arrange to have the <b>funds wired</b> to the FTA.  | <b>March 8</b>                                   |

7. Upon receipt of the purchase amount from the SBA, the FTA will remit to the registered holder, **within two (2) business days**, the outstanding principal balance plus accrued interest up to but not including the date of the repurchase.
  
8. SBA's payment of accrued interest to the payment date on a fixed interest rate note shall be at the note rate less the lender's servicing fee. On notes with a variable interest rate, SBA's payment of accrued interest shall be at that rate in effect on the date of the earliest uncured borrower default less the lender's servicing fee.

## FTN Financial Acquires Coastal Securities

On April 3, 2017, FTN Financial acquired the assets of Houston-based broker/dealer Coastal Securities, Inc. Coastal has been a national leader in the securitization, trading, and sales of SBA 7(a) securities since the program's inception in 1985. Coastal has also been a major source of liquidity in the secondary market for SBA/USDA guaranteed loan products — buying on average over \$2 billion annually. With the acquisition, FTN Financial will build upon Coastal's successes through its extensive distribution platform, liquidity, and capital position.

Although this information has been obtained from sources which we believe to be reliable, we do not guarantee its accuracy, and it may be incomplete or condensed. This is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. All herein listed securities are subject to availability and change in price. Past performance is not indicative of future results, while changes in any assumptions may have a material effect on projected results. Ratings on all securities are subject to change.

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