FFCFC Loan Pooling Program

FFCFC Loan Pooling Program: Criteria for 504 First Mortgage Pool Guarantee Program

Following is a list of criteria for participating in the Small Business Administration (SBA) 504 first lien pool guarantee program. This list is provided as a quick and easy reference sheet only. Please contact an FFCFC loan officer for specific details.

- A pool is defined as two (2) or more loans. A pool must be either fixed (for life) or adjustable (any period adjustment including five or 10 years). If the pool is comprised of adjustable rate loans, all loans must have the same base rate (e.g. Prime, LIBOR, LIBOR Swaps, FHLB, etc.). Finally, each loan must be current for the lesser of six months or from the time of loan funding.

Each loan pool will have three participants: the Seller, the Pool Originator, and the Investor.

- The Seller is the bank that either made the loan or purchased the loan from the original, or subsequent, lender. The Seller will hold 15% of each loan. The Seller will be paid a premium for the participation interest sold (equal to 85% of each loan), and will receive at least .50 basis points in servicing as mandated by the SBA. The Seller's Loan Interest is not guaranteed by the SBA but can be resold at a later date subject to SBA approval and 100% divestment of the loan (including servicing). The Seller will receive a Seller Certificate at pool formation.

- The Pool Originator will purchase the 85% participation interest in individual loans in order to form eligible loan pools. The Pool Originator must hold 5% of each loan for the life of the loan. This portion will not be guaranteed by the SBA and cannot be resold. The Pool Originator will receive a Pool Originator certificate at pool formation.

- The Investor will purchase 80% of each loan pool which will be guaranteed by the SBA. Unlike the SBA 7(a) loan, an originating bank may not fund a loan, or pool of loans, and then apply for a guarantee as part of a portfolio strategy. The guarantee is finalized only when an unaffiliated buyer (or buyers) agrees to be an Investor in a loan pool. Two other key differences to the 7(a) program are that the prepayment penalty will flow to the investor (not the SBA), and there is no cap on the interest rate charged other than what is mandated for a normal 504 first lien. The Investor's interest can be resold. The Investor will receive an Investor certificate at the time of pool formation.

Some lenders may elect to be both the Seller and the Pool Originator. If lenders choose this option, they must hold 20% of each loan and 5% for life.

The SBA has also required that each loan have a payment date of the first of each month, and that each loan payment be automatically deducted via ACH (as is required for the SBA debenture). Once a loan pool is executed, Colson Services will automatically draw 100% of each payment and will distribute the proceeds to the Investor, the Pool Originator, the Seller and the SBA.

(REV 12-29-10)

About the Program:

The FFCFC Loan Pooling Program helps 504 first mortgage lenders take advantage of the SBA 504 first lien pool guarantee program. FFCFC's role is to source and package transactions on behalf of the Pool Originator.

Loan Pool Submission Guidelines:

1) FFCFC provides the Seller with a loan tape.
2) Seller completes the loan tape and submits it to FFCFC.
3) FFCFC submits the loan tape for a bid indication from the Pool Originator.
4) If the Seller accepts the bid from the Pool Originator, the Seller completes a list of required documents to be considered and processed by the Pool Originator.
5) If the Pool Originator accepts the deal for the pool, the Seller will be provided with the final contract for execution.

Florida First Capital Finance Corporation

For More Information About the FFCFC 504 Loan Pooling Program, Contact Deborah Petrell, SVP and Sales & Marketing Manager.

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