

Guidelines for Small Business and Community Lending Initiative

SBA 7(a) Pooled Certificates

Program Objective

Using authority under Section 101 of the Emergency Economic Stabilization Act (“EESA”), the United States Department of the Treasury (“Treasury”) will purchase pooled certificates backed by the guaranteed portions of Small Business Administration (“SBA”) 7(a) loans (the “Pooled Certificates”) packaged on or after July 1, 2008 from financial institutions. The purpose of this program is to provide liquidity for the small business credit market. Treasury expects its purchase of Pooled Certificates will help increase liquidity and provide lenders with the confidence that they need to extend credit to small businesses, which are a key driver of economic activity and job creation.

Selection of Purchase Agent and Valuation Agent

Treasury has the statutory authority to retain financial agents to provide services on its behalf. Pursuant to its financial agent authority, Treasury has hired a financial agent to help value the Pooled Certificates (the “Valuation Agent”) and another financial agent to purchase Pooled Certificates on Treasury’s behalf and to manage these assets after the purchase (the “Financial Agent”).

Eligibility

Treasury’s Financial Agent will purchase eligible Pooled Certificates, the requirements of which are set forth in the master purchase agreement (“MPA”) and include that the Pooled Certificates be packaged on or after July 1, 2008. Purchases of eligible Pooled Certificates shall occur pursuant to the “Bid Procedure” as set forth in the MPA.

Method for Pricing and Valuation

1. The purchase of eligible Pooled Certificates shall be performed pursuant to the Bid Procedure and will involve an “offer wanted” bid solicitation process whereby the Financial Agent specifies to the selling pool assemblers the unique parameters of the Pooled Certificates that Treasury seeks to purchase.
2. As part of Treasury’s evaluation of the offers for purchase by pool assemblers, Treasury will use a variety of valuation methods including the use of Financial Agents and market price information.
3. Pricing will be market-based and determined by the bids that come in from the bidding pool assemblers.

Form and Terms of Purchase

1. To protect the taxpayers' interests, Treasury will enter into an MPA with pool assemblers selling Pooled Certificates. In connection with each purchase from an SBA pool assembler, Treasury will receive senior debt securities from the pool assembler to satisfy the requirements of Section 113 of EESA.
2. In the MPA, each pool assembler will agree to a number of terms, conditions and covenants, including a requirement to take all necessary action to ensure that it and its executive officers comply with the requirements of the EESA.

These program guidelines are being published in accordance with the requirements of Section 101(d) of EESA.