

I. Introduction

This program guide contains the policies, procedures and guidelines for implementation of FASTRAK. This guide is an integral part of the "Supplemental Guaranty Agreement for FASTRAK" and has been incorporated therein by reference. Participation in FASTRAK is limited to those lenders which have been approved by SBA for FASTRAK program participation and have executed the supplemental guaranty agreement.

FASTRAK is intended to increase the capital available to those businesses seeking loans of \$100,000 or less by permitting lenders to use their existing documentation and procedures and receive an SBA guaranty on the loan. Eliminating the requirement that SBA forms be used and application procedures be followed will allow lenders to reduce the cost of processing an SBA guaranteed loan. SBA hopes that reducing the cost of providing credit will encourage lenders to make smaller loans. To further reduce the lender's cost of doing business with SBA, lenders participating in FASTRAK will be permitted to use their own internal documentation for servicing actions and will be permitted to use their existing procedures for loan liquidation.

In exchange for the authorities described above and in recognition of the increased risk assumed by SBA, lenders participating in FASTRAK agree to accept a maximum guaranty of 50% on each loan. The guaranty of 50% is designed to give participating lenders the credit enhancement needed to approve certain applications while recognizing that SBA has not reviewed the credit or the documentation of the participating lender. Lenders desiring a guaranty higher than 50% for a specific case are permitted to use regular SBA procedures and forms to submit a loan to SBA for a guaranty up to 90%.

II. Eligibility Requirements for FASTRAK

The Small Business Act provides certain requirements and restrictions on businesses which are entitled to government financial assistance. These considerations are described below.

A. Size Standards

While the \$100,000 maximum loan amount will tend to limit the size of business interested in this type of loan, SBA's existing size standards which are described in Part 121 of Title 13 of the Code of Federal Regulations apply to all loans approved under FASTRAK. These size standards refer to the applicant and any affiliates.

B. Eligible Loan Recipients

Lenders may not obtain a guaranty for loans to certain types of businesses. SBA rules on applicant eligibility are located in Section 120.101 and 120.102 of Title 13 of the Code of Federal Regulations. A copy is included as Appendix 1 to this guide. These rules are subject to change. Any questions regarding eligibility may be directed to the Sacramento FASTRAK Processing Center. The names and telephone numbers for the Processing Center staff are located in Appendix 2.

C. Conflict of Interest

Lender may not use FASTRAK procedures to approve a loan to a firm in which any of the owners or managers are also an employee of the lender or SBA or own 10% or more of the stock of the lender. Furthermore, FASTRAK may not be used to make a loan to an associate or close relative (See 13 CFR 120.2-2, Appendix 3.) of either of the above described individuals.

D. Ineligible Uses of Loan Proceeds

In general, loan proceeds may be used for the same purposes as loans approved without an SBA guaranty. Loan proceeds may not be used for the following purposes:

- a. To pay off inadequately secured creditors.
- b. To provide funds for distribution to the owners of a business unless these funds fully change the ownership of a business. Loans for a change of ownership are eligible provided there is a 100% change of ownership and the transfer is not between family members.
- c. To refund any debt owed to a Small Business Investment Company.
- d. To fund a gambling operation, except that businesses that receive less than one-third of their revenue from the commissions on the sale of state lottery tickets or businesses involved in state supervised gambling operations are eligible.
- e. To finance real estate held for investment, purchases of stock for investment, or to make loans to non-profit entities.

f. To fund a loan that would reduce lender's own or an affiliate's exposure to a business, unless the existing debt has always been current (no payments more than 29 days past due during the life of the credit). Refinancing of the debt owed to another lender is allowed, however, the FASTRAK participant must insure that the refinancing is beneficial for the borrower due to more reasonable terms or the transfer of a borrower's account relationship from other sources to the FASTRAK

participant. Care should be taken to avoid the appearance that the lender is using FASTRAK to bail itself out of an inadequately secured or poorly performing credit.

g. To fund a loan when funds are available from other sources on reasonable terms including disposal of unneeded business assets and use of personal resources provided there is no undue hardship involved in the use of personal funds. A self certification by the lender that funds would not otherwise be available on reasonable terms, as determined by the lender, is part of SBA Form 1920, FASTRAK Authorization and Request for Loan Number.

h. To fund a loan for the purchase or construction of real estate, the purchase or repair of equipment, or the refinancing of a loan used for those purposes, when the applicant business is not a 100% owner operator of the real estate or personal property being financed. In cases where the applicant is not a 100% owner operator, the loan may be submitted to SBA using regular 7(a) procedures. Loan proceeds may be used to finance real property with residential or rental space provided that in purchasing an existing building, residential and/or rental space must be less than 50% of total space, location must be conducive to the success of the business and other facilities must not be reasonably available and in constructing a building, the business must need a resident owner or manager and residential space must not exceed 33 $\frac{1}{3}$ % of the total or business growth is reasonably projected to indicate need for space in the reasonably near future, later additions are not feasible, and residential space does not exceed 33 $\frac{1}{3}$ % of total space.

- i. To make a loan to a recreational or amusement enterprise that is not open to the public and properly licensed.
- j. To replenish working capital funds used for any of the above purposes.

III. Eligible Loan Types

FASTRAK procedures may be used for term loans or revolving credits made by the lender. Revolving credits must have a termination date that cannot exceed five years from the date of first disbursement. If the borrower remains creditworthy, a new revolving FASTRAK loan can be approved.

IV. Terms and Conditions

A. Loan Amount

The maximum loan amount that may be approved using the FASTRAK procedure is \$100,000.