9. Structured Products
Settlement Procedures
Chapter 9

Structured Products Settlement Procedures


Government securities, including those issued by Fannie Mae, Freddie Mac and Ginnie Mae, are exempt from the SEC’s T+3 settlement requirements. However, secondary market transactions that involve collateralized mortgage obligations (CMOs) issued by Fannie Mae, Freddie Mac or Ginnie Mae should settle not later than the third business day after the date of the transaction, unless otherwise expressly agreed to by the parties at the time of the transaction.

Note that Securities Industry and Financial Markets Association recommended guidelines with respect to T+3 settlement for federal agency CMOs are not intended to discourage other delayed-delivery arrangements that counterparties may properly agree to for such transactions.

B. Method of Delivery for Structured Products

Asset-Backed Securities (ABS), Collateralized Mortgage Obligations (CMOs) and Stripped Mortgage Securities (Mortgage Strips) and Small Business Administration products (SBAs) must be delivered through one of the following methods as per the table below:

<table>
<thead>
<tr>
<th></th>
<th>The Depository Trust and Clearing Corporation (DTCC)</th>
<th>Euroclear Clearstream</th>
<th>Fedwire Network</th>
<th>Physical Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABS</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>CMOs</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Strips</td>
<td>x</td>
<td></td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>SBA</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>

C. ABS, CMOs and Strips in DTCC Book-Entry Form

1. Delivery

Most private-label ABS transactions are settled through The Depository Trust and Clearing Corporation (DTCC). Deliveries between broker, dealers and customers may be input to DTCC up to 3:20 p.m. E.T. (receiver authorization is required after 3:00 p.m.). Same-day reclaims can be made up to 3:30 p.m. DTCC’s settlement process is generally completed by
5:15 p.m., after which time unvalued (free) deliveries may be made up until 6:15 p.m. Unless otherwise agreed to by both parties in advance, transactions will be delivered and received by DTCC book-entry.

a. Same-Day Funds Processing Schedule

Deliveries through DTCC must be processed in accordance with the following schedule (times subject to extension):

(i) Cutoff for input of original deliver orders (DOs) without automatic routing to Receiver-Authorized Delivery (RAD) due to time of day — 2:59:59 p.m.

(ii) Cutoff for input of original (DOs) with automatic routing to RAD (due to time of day) — 3:19:59 p.m.

(iii) Deadline for authorization of valued DOs through RAD — 3:29:59 p.m.

(iv) Deadline for reclamations (an earlier deadline applies if DTCC cannot “validate” the reclamation to a prior original delivery) — 3:29:59 p.m.

(v) Cutoff for input of valued DOs (or pledges) to a Participant’s Settling Bank (subject to RAD, nonrecycling after 3:10 p.m.) — 4:59:59 p.m. (Prior arrangements must be made to be able to submit deliveries during this time frame.)

(vi) Deadline for authorization of valued DOs to a Participant’s Settling Bank (subject to RAD, nonrecycling after 3:10 p.m.) — 4:59:59 p.m.

(vii) Completion of DTCC settlement process — 5:14:59 p.m.

(viii) Cutoff for input of unvalued (free) DOs — 6:14:59 p.m.

Input cutoff times for transactions processed through computer-to-computer links are slightly earlier.

b. New Issues – Cutoff times

(i) Under $100,000,000 (settlement value) — 1:14:59 p.m. E.T. No exceptions.

(ii) In excess of $100,000,000 (settlement value) — 1:44:59 p.m. E.T.¹

DTCC’s closing area must be informed through a telephone call of all new-issue closings, and DTCC procedures must be followed.

Once the deliveries for the initial syndicate distribution have been released, subsequent deliveries are subject to the time limits set forth in 1.a.

¹ In order to receive an extension beyond 1:15 p.m. ET on issues greater than $100,000,000, DTCC must be notified by 1:00 p.m. E.T. that an additional 15 minutes are required. A maximum of two 15-minute extensions may be granted.
D. **Book-Entry Deliveries of CMOs and Strips on the Fedwire Network**

Deliveries and reversals must be made according to existing Fed guidelines. (See Chapter 11, Section A.)

E. **Delivery Requirements for SBA Loans**

1. **General**
   a. Each SBA loan must be properly closed and fully disbursed prior to settlement date.
   b. Allowable Accrued Interest on SBA Products:
      i. Monthly SBA Loans: The maximum accrued interest eligible for purchase on SBA-guaranteed loans shall be 45 days.
      ii. Non-Monthly Paying SBA Loans:
         a. Annual Paying Loans: Shall have no more than 10 months of accrued interest.
         b. Semi-Annual Paying Loans: Shall have no more than 5 months of accrued interest.
         c. Quarterly Paying Loans: Shall have no more than 2 months of accrued interest.
         d. Seasonal P&I Loans: Shall pay as agreed on a case-by-case basis.

2. **Documentation**

   The seller of an SBA loan must provide the following documents to the purchaser thereof:
   a. SBA Form 1086 (Secondary Participation Guaranty and Certification Agreement)
      i. The lender must properly complete, execute and forward an SBA Form 1086 to the initial loan purchaser for each loan sold.
      ii. Corrections and alterations will not be accepted by the FTA.
   b. Copy of SBA Form 147 (Promissory Note)
      i. On the original promissory note, an authorized officer of the lending institution must sign and date the following legend: “The guaranteed portion of the outstanding principal balance of this note has been transferred to a Registered Holder for value.” Upon completion of this legend, lender should make a copy of the original promissory note (the signature on the legend will thus be a photocopy).
      ii. On the copy of the promissory note delivered by lender to purchaser, the following certification must appear: “We certify this document to be a true and correct copy of the Original Note.” This certification must be manually signed and dated, preferably in blue ink.

---

2 The FTA (funds transfer agent) serves a clearinghouse function, collecting payments from lenders and forwarding them to investors.
(iii) SBA recommends that any promissory note dated after February 15, 1996 contain the following statement: “Borrower shall provide Lender with written notice of intent to prepay part or all of this loan at least 15 business days prior to the anticipated payment date. A prepayment shall be defined as any payment made ahead of schedule that exceeds 20 percent of the then outstanding balance.”

(iv) On variable rate loans, the promissory note must contain a payment Amortization Clause, similar to the following example: “When a different rate of interest is established, the amount of monthly installments of principal and interest required hereby shall be increased or decreased, as appropriate, to an amount necessary to amortize principal remaining unpaid as of the date of the change in the interest rate over the remaining term of this note.”

c. Copy of SBA Form 529B (Authorization and Loan Agreement)
   (i) Delivery of this form by the seller is optional.

d. Payment History
   (i) In the case of the initial sale of an SBA loan by the originator thereof, the seller should also provide the purchaser with a transcript showing the date(s) and amount(s) of disbursement(s) and the payment history. Any secondary seller of an SBA loan should provide the purchaser with a confirmation of the current paid-to date through the FTA.

3. Settlement
   a. Upon receipt and verification of the information specified in Section E.2. above from the lender, the loan purchaser should submit the complete document package to the FTA.
   b. FTA will, after review and approval of completed document package, notify the loan purchaser to arrange a settlement date no earlier than 2 days from date of receipt at the FTA.
   c. Prior to loan settlement, the purchaser will contact lender to verify the borrower’s last payment date and remaining principal balance.
   d. Settlement will be made by wire transfer of funds on a designated date agreed to by the loan purchaser and the seller.

F. Delivery Requirements for SBA Loan Certificates and Pool Certificates

1. Documentation
   a. The purchaser of an SBA loan certificate or pool certificate should provide the seller thereof with a blank SBA Form 1088 (Form of Detached Assignment). This must be an original, SBA-designated form.
   b. An authorized officer of the seller should execute and return the SBA Form 1088 to the purchaser. The signature of the seller’s authorized officer must be guaranteed. A properly designated corporate medallion stamp is required.
2. Settlement

a. SBA loan certificates and pool certificates are eligible for book-entry settlement via the facilities of the Depository Trust Company (DTCC). All new issue SBA loan certificates and pool certificates must be delivered through DTCC. Dealer-to-dealer trades require DTCC delivery.

b. For factored SBA pool certificates, unless the parties otherwise agree, “regular way” settlement effected via DTCC shall be T+3 unless otherwise specified.

c. For trades with a settlement date prior to the record date, but with delivery and payment occurring between the record date and payable date, delivery must be accompanied by a due bill. Due bill procedures are generally set forth in Chapter 10 of the Uniform Practices.

G. Delivery Requirements for United States Department of Agriculture (USDA) Government-Guaranteed Loan Programs

1. General Delivery Requirements

   (a) These guidelines are effective with trades executed as of February 1, 2001.

   (b) All loans must be properly closed and fully disbursed prior to the secondary market settlement date.

   (c) Whiteouts, markouts and cross-throughs are not permitted except where necessary to bring agency forms into compliance with Year 2000 date requirements.¹

2. Delivery Requirements for Guaranteed Loans Sold Through the Assignment Method.

   a. Documentation to be included in all transaction packages:

      i. Assignment of Guarantee

      | Agency                        | Form Name                  | Form #   |
      |-------------------------------|----------------------------|----------|
      | Farm Service Agency           | Assignment of Guarantee    | FSA-1980-36 |
      | Rural Business-Cooperative    | Assignment Guarantee       | RBS-4279-6 |
      | Service                       | Agreement                  |          |
      | Rural Utility Service         | Assignment Guarantee       | RD-449-36 |
      | Community Facility            | Assignment Guarantee       | RD-449-36 |
      |                               | Agreement                  |          |

¹ Prior to the effective date of this guideline, the use of whiteouts, markouts and cross-throughs were acceptable except in paragraphs relating to amounts, servicing or loan identification number. Forms containing modifications, that were acceptable prior to the current effective date continue to be eligible for good delivery.
(1) This form must be the current agency-issued document;
(2) All signatures must be original signatures. No copies or facsimile signatures are acceptable;
(3) No whiteouts, markouts, cross-throughs or any other method of correction may be used; and
(4) The original signatures of the lender and the holder must be affixed to the signature page and the corporate seal affixed, if available.

ii. The Note
The Note, as defined in the applicable agency regulations, must be a copy. Any modifications to the original promissory note must accompany the Note. In addition, agency approval is required for any change that is dated subsequent to the date of the loan note guarantee.

iii. Loan Guarantee
The Loan Guarantee/Loan Note Guarantee must be an executed and signed copy

<table>
<thead>
<tr>
<th>Agency</th>
<th>Form Name</th>
<th>Form #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm Service Agency</td>
<td>Loan Guarantee</td>
<td>FSA-1980-27</td>
</tr>
<tr>
<td>Rural Business-Cooperative Service</td>
<td>Loan Note Guarantee</td>
<td>RBS-4279-5</td>
</tr>
<tr>
<td>Rural Utility Service</td>
<td>Loan Note Guarantee</td>
<td>RD-449-34</td>
</tr>
<tr>
<td>Rural Housing Service: Community Facility</td>
<td>Loan Note Guarantee</td>
<td>RD-449-34</td>
</tr>
</tbody>
</table>

iv. Certificate of Incumbency and Signature
The Certificate of Incumbency and Signature is no longer required for good delivery. This guideline applies to new-issue loans, as well as to outstanding loans which previously required a Certificate of Incumbency and Signature in order to be traded in the secondary market.

v. Transfer Document
A transfer document (see Exhibit A) assigning the loan to the purchaser must be executed for all subsequent sales into the secondary market. The transfer document must state at a minimum the following:

(1) The effective date of transfer;
(2) A certification of the balance of the guaranteed portion, which must be produced upon request of the purchaser;
(3) The date from which accrued interest begins;
(4) A recitation of the prepayment penalty as listed in the note; and
(5) Disclosure as to the percentage of prepayment penalty being passed on to the holder of record.

No whiteouts, markouts, cross-throughs or any other method of correction may be used. In addition, all signatures must be original signatures. No copies or facsimile signatures are acceptable.

3. Delivery Requirements for Guaranteed Loans Sold Through the Use of the Multi-Note Option.

a. Documentation to be included in all transaction packages:
   i. Loan Note Guarantee

<table>
<thead>
<tr>
<th>Agency</th>
<th>Form Name</th>
<th>Form #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Business-Cooperative Service</td>
<td>Loan Note Guarantee</td>
<td>RBS-4279-5</td>
</tr>
<tr>
<td>Rural Utility Service</td>
<td>Loan Note Guarantee</td>
<td>RD-449-34</td>
</tr>
<tr>
<td>Rural Housing Service: Community Facility</td>
<td>Loan Note Guarantee</td>
<td>RD-449-34</td>
</tr>
</tbody>
</table>

(1) These forms must be the current agency-issued document;
(2) All signatures must be original signatures. No copies or facsimile signatures are acceptable; and
(3) No whiteouts, markouts, cross-throughs or any other method of correction may be used.

ii. The Note

(1) This form must be the original;
(2) All signatures must be the original signatures. No copies or facsimile signatures are acceptable; and
(3) No whiteouts, markouts, cross-throughs or any other method of correction may be used.

iii. The Assignment and Servicing Agreement

(1) This lender prepared form must be the original;
(2) All signatures must be the original signatures. No copies or facsimile signatures are acceptable;
(3) Must define the pass through of any lender prepayment penalty;
(4) No whiteouts, markouts, cross-throughs or any other method of correction may be used;
(5) This document must be of a form approved by The Bond Market Association. (see Exhibit B.)

iv. Certificate of Incumbency and Signature

The Certificate of Incumbency and Signature is no longer required for good
The guideline applies to new-issue loans, as well as to outstanding loans which previously required a Certificate of Incumbency and Signature in order to be traded in the secondary market.

v. Transfer Document
A properly executed Transfer Document (see Exhibit C) approved by The Securities Industry and Financial Markets Association assigning the loan to the purchaser. The Assignment Agreement must state the following:

1. Effective date of transfer;
2. A certification of the balance of the guaranteed portion, which must be produced upon request of the purchaser;
3. The date from which accrued interest begins;
4. A recitation of the prepayment penalty as listed on the note; and
5. Disclosure as to the percentage of prepayment penalty being passed on to the Holder of Record.

No whiteouts, markouts, cross-throughs or any other method of correction may be used. In addition, all signatures must be original signatures. No copies or facsimile signatures are acceptable.

H. Deliveries in Physical Form

1. Delivery

a. In addition to the delivery requirements listed below, physical deliveries of structured products are also subject to the physical delivery requirements listed in Chapter 11, “Delivery, Receipt and Reclamation.”

b. Physical deliveries of ABS, CMOs and Strips of less than $1,000,000 are subject to minimum certificate denominations as stated in the offering documentation. Deliveries of $1,000,000 or greater should be done in million-dollar increments, unless otherwise agreed to by both parties.

c. Physical ABS, CMOs or Mortgage Strips that are new issues should be delivered to the initial Buyer on the date of issue within one hour after closing, but not later than 5:00 p.m. E.T. If delivery is after 3:00 p.m., a telephone call should be placed to the initial buyer stating the anticipated time of delivery.

d. Physical residual securities require representation letters signed by the Purchaser. These letters are required to ensure that the Purchaser is fully aware of the risks and tax consequences of these securities.

2. Payment for ABS, CMOs and Strips Delivered in Physical Form

a. ABS, CMOs and Mortgage Strips that are delivered in physical form must be paid for in Fed funds (cash available on the same day).
I. **Restricted Securities Settlement Procedures**

Restricted Securities are securities that are limited under the federal securities laws in terms of the time and manner in which they may be resold. In order to preserve their status as “exempt transactions” under the federal securities laws, transfers of Restricted Securities typically require written representations by either the Purchaser, the Seller or both, to document that the Purchaser is qualified or eligible to purchase the securities. A legal opinion may also be required in order to effect a proper transfer. The parties to a Restricted Securities transaction should consult, as appropriate, with qualified securities counsel to ensure compliance with all applicable laws and regulations. However, in order to promote greater efficiency and uniformity in settling Restricted Securities transactions, The Securities Industry and Financial Markets Association has established the following recommended guidelines:

- The Seller of a restricted security is responsible for notifying the Purchaser of the transfer requirements for the issue. If any transferor document is required, the Seller is responsible for delivering an originally executed transferor document with the securities. Delivery need not be accepted by the Purchaser without an executed original of this document. The Seller is required to send the Purchaser any offering memorandum for the issue, as well as a confirmation for the transaction, which should be sent by the Seller to the Purchaser prior to settlement date.

- If transferee documents are required, the Seller should deliver specimens of the appropriate documents, which should include any necessary seller identification information, to the Purchaser prior to settlement date. The Purchaser is responsible for executing these documents and ensuring that the originally executed transferee documents are attached to the securities before they are delivered to the Trustee for transfer. Therefore, it is not acceptable for a Purchaser to DK deliveries made without transferee documents, where such documents are required and the Seller has complied with its requirements to effect a proper transfer of the securities, as described above.

J. **Unavailable Settlement Information**

1. **Unavailable Final Collateral on Yield-Maintenance CMO and Strips Trades**

   Trades on certain new-issuance tranches within a CMO and new-issuance Mortgage Strips can be done on a yield-maintenance basis prior to the availability of final collateral from the issuer. Once the final collateral is available, trades should be canceled and a new (corrected) trade should be processed. Both parties should agree upon the new price prior to processing correcting entries. Every effort should be made to cancel and correct the trade 48 hours prior to settlement.

2. **Unavailable Factors/Coupons on Delayed-Payment ABS, CMOs and Strips**

   ABS, CMO tranches and Mortgage Strips with delayed payments of principal and interest should be settled on the previous factor/coupon if the current factor/coupon has not yet been released. In such circumstances, the Seller must make an appropriate adjustment. The following procedures apply in these circumstances:
a. The original trade should be canceled and a new (corrected) trade should be processed once the current factor/coupon has been made available. New factor/coupon information can be obtained from the issuer and from other private vendors.

b. The money difference between the original trade amount and the corrected trade amount should be disbursed or collected immediately after the corrected trade is processed.

c. For certain securities settling through DTCC, the money difference resulting from the trade cancellation and correction process is automatically applied to the account of DTCC Participants. DTCC’s CMO Trade Adjustment System (CTAS) tracks the delivery activity of certain issues with delayed-payment features (currently applies only to factor adjustments) for which settlement occurred based on noncurrent factor information. When the new factor is available, CTAS automatically refactors the trade settlement amount, and the appropriate adjustment is debited to the deliverer (seller) and credited to the receiver (buyer) on the relevant payment date.

K. Unavailable Factors for CMO Accrual Tranches
Transactions involving CMO accrual tranches where the current factor is not published as of the settlement date should settle based on an “estimated current factor,” as described in Section F.2. of Chapter SF. Once the current factor is published, if it is different from the estimated current factor used to settle the trade, the “cancel & correct” procedures noted above in Sections F.2.a. and F.2.b. should be used.

L. Partial Delivery of ABS, CMOs/REMICs
Securities shall be deliverable in lots as confirmed. A seller may deliver an unlimited amount of partial lots for each transaction confirmed provided that the seller notify the purchaser by verbal transmission of the partial lot to be delivered no later than 5:00 p.m. E.T. a day prior to the delivery date. Note that firms have the option to complete a delivery at any time without notice.

The minimum lot delivered in settlement of a partial shall have a face value of $500,000 and be in increments of $1.00 thereafter for physicals and increments of $1,000 thereafter for all other settlement types. The only exception to the minimum lot delivery of $500,000 is in the final delivery that completes the transaction. In this final delivery, a lot under $500,000 is acceptable.

Example of Acceptable Partial Delivery–ABS, CMOs and Strips
Seller A sells $10,000,000 CMOs to Purchaser B. Seller A has $5,000,000 in inventory and $5,000,000 failing to receive. By 5:00 p.m. E.T., one day prior to the delivery date, Seller A telephones Purchaser B with the information that a $5,000,000 partial of $10,000,000 will be delivered on the following day. Purchaser B changes the receive ticket to reflect the partial delivery of $5,000,000 and prepares another ticket for the remaining $5,000,000. On the following day, Seller A delivers the $5,000,000 partial.
Example of Unacceptable Partial Delivery–ABS, CMOs and Strips
Seller A sells $20,000,000 Strips to Purchaser B. Seller A has $5,000,000 in inventory and $15,000,000 failing to receive. By 5:00 p.m. E.T., one day prior to the delivery date, Seller A telephones Purchaser B with the information that a $5,000,000 partial of $20,000,000 will be delivered on the following day. Purchaser B changes the receive ticket to reflect a partial delivery of $5,000,000 and prepares another ticket for the remaining $15,000,000. On the delivery date, instead of delivering the $5,000,000 partial, Seller A attempts to deliver an amount that matches neither of the two tickets Purchaser B wrote as a result of Seller A’s call. Without the prior approval of the Purchaser, this is an unacceptable delivery.

Numerical Examples of Completion of a Transaction with a Partial Delivery
Sale of $1,600,000 On the initial delivery day, a partial of $1,200,000 is delivered. On the next delivery day, $400,000 is delivered, completing the transaction. Although this delivery is below $500,000.00, it is acceptable because it completes the transaction.

Sale of $2,000,000 On the initial delivery day, a partial of $1,850,000.00 is delivered. On the next delivery day, $150,000.00 is delivered, completing the transaction.

M. Partial Delivery of IOettes
IOettes may also be partially delivered in accordance with the above, except that the minimum face value delivered can be $1,000 and have increments of $1.00 thereafter.
Exhibit 9-A (Sample)
Transfer Document for USDA Government-Guaranteed Loans
Sold Through the Assignment Method

Assignee Name: ____________________________________________________________
Address: _________________________________________________________________

_____________________________  ________________________________
USDA Loan Name: USDA Loan Number:  Accrued Interest Begins: Net Interest Rate:

For value received, ____________________________, hereby assigns to ASSIGNEE without recourse all of its right, title and interest in and to the Guaranteed portion of the above-referenced UNITED STATES DEPARTMENT OF AGRICULTURE (USDA) Loan.

This assignment, or sale, is made under and subject to the terms and conditions of the Assignment of Guarantee and Loan Guarantee as indicated below:

<table>
<thead>
<tr>
<th>Assignment of Guarantee/Assignment Guarantee Agreement</th>
<th>Loan Guarantee/Loan Note Guarantee</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSA-1980-36</td>
<td>FSA-1980-27</td>
</tr>
<tr>
<td>RBS-4279-6</td>
<td>RBS-4279-5</td>
</tr>
<tr>
<td>RD-449-36</td>
<td>RD-449-34</td>
</tr>
</tbody>
</table>

Enclosed are the following supporting loan documents:

[1] A copy of the Borrower’s Note
[3] The original Assignment of Guarantee

On __________________________, the effective date of the reassignment of this loan to ASSIGNEE, the balance of the Guaranteed Portion of this loan was $ ____________________________.

________________________________ agrees that it shall have no further right to retain payments on the Guaranteed Portion of this loan and agrees to forward to ASSIGNEE any such payments received by it subsequent to date hereof. The effective date of transfer and assignment of the guaranteed portion described above is hereby declared to be the date hereof.

Subsequent to the transfer, the ASSIGNEE shall provide an original executed Transfer Document to the originating Lender and to the appropriate office of the USDA. One (1) original executed Transfer Document must be retained with the original loan documentation package.

Should it become necessary for you to communicate with the USDA, please send all correspondence to the following address:

________________________________________________________

________________________________________________________

________________________________________________________
The Servicing Lender, at the following address, will provide servicing of the loan:

_______________________________________________________________
_______________________________________________________________
_______________________________________________________________

As provided in the Assignment of Guarantee, a servicing fee in the amount therein set forth will be retained by the originating Lender.

As provided in the note, a prepayment penalty, defined as: _____________________________ will be collectable by the Lender.

In the event of collection and retention of that prepayment penalty by the Lender, a distribution will be passed on to the Holder of Record as follows: _____________________________

Upon receipt of the executed Transfer Document by the Lender, remittance of principal and interest will be forwarded directly to you.

If we can be of further service, please do not hesitate to call us.

Sincerely,

By: _____________________________
Title: _____________________________

___________________________ (Holder-Assiggee) hereby acknowledges that it has read the enclosed documentation, and fully accepts and assumes each right, obligation and commitment of the Holder of the guaranteed portion of the above-described loan under said documents. The ASSIGNEE further acknowledges that the guarantee of USDA relates to the unpaid principal balance and interest owed by the borrower, and that any premium paid by the ASSIGNEE is not covered by USDA's guarantee and is subject to loss in the event of prepayment or default.

Holder: _____________________________   Tax I.D. No.: _____________________________
By: _____________________________   Title: _____________________________
Exhibit 9-B (Sample)
Assignment and Servicing Agreement
USDA Government Guaranteed Loans Sold Through the Multi-Note Option

USDA Loan Identification Number
________________________________________

Lender has made a loan to __________________________________________________________________ in the principal amount of $__________________ as evidenced by a note dated ______________.

The United States of America, acting through the U.S. Department of Agriculture (USDA), entered into a Loan Note Guarantee (Form # ____________) with the Lender applicable to such loan on _______.

(Holder) desires to purchase from Lender 100 percent of the note as documented by the attached original Borrower’s note and the original Loan Note Guarantee.

Now, therefore, the parties agree:

1) The principal amount of the loan now outstanding is $__________________.

   Lender hereby assigns to the Holder 100 percent of the note in accordance with all the terms and conditions hereinafter set forth. The Lender and the USDA certify to the Holder that the Lender has paid and the USDA has received the guarantee fee in exchange for the issuance of the Loan Note Guarantee.

2) Loan Servicing. The Lender will be responsible for servicing the entire loan and will remain mortgagor and secured party of record. The entire loan will be secured by the same security with equal lien priority for the guaranteed and unguaranteed portions of the loan.

   The Lender will receive all payments on account of principal and interest on the entire loan and shall promptly remit to the Holder its pro rata share thereof, determined according to their respective interests in the loan, less only the Lender’s servicing fee.

3) Servicing Fee. Holder agrees that the Lender will retain a servicing fee of ______________ percent per annum of the unpaid balance of the guaranteed loan assigned hereunder.

4) Prepayment Penalty. Lender agrees to pass through a prepayment penalty defined as follows:

   ____________________________________________________________________________

5) Purchase by Holder. The Holder will hereby succeed to all rights of the Lender under the Loan Note Guarantee to the extent of the assigned portion of the loan. The Lender, however, will remain bound by all obligations under the Loan Note Guarantee and the program regulations found in 7 C.F.R. parts 4279 and 4287 now in effect and future USDA program regulations not in conflict with the provisions hereof.

6) Full Faith and Credit. The Loan Note Guarantee constitutes an obligation supported by the full faith and credit of the United States government and is incontestable except for fraud or misrep-
sentation of which the Holder has actual knowledge at the time of assignment, or which it participates in or condones.

7) **Rights and Liabilities.** The guarantee and the right to require purchase will be directly enforceable by the Holder notwithstanding any fraud or misrepresentation.

8) **Repurchase by the Lender (Defaults).** The Lender has the option to repurchase the unpaid guaranteed portion of the loan from the Holder within 30 days of written demand by the Holder when: (a) the Borrower is in default not less than 60 days on principal or interest due on the loan or (b) the Lender has failed to remit to the Holder its pro rata share of any payment made by the Borrower or any loan subsidy within 30 days of its receipt thereof. The repurchase by the Lender will be for an amount equal to the unpaid guaranteed portion of principal and accrued interest, less the Lender’s servicing fee. The Loan Note Guarantee will not cover the note interest to the Holder on the guaranteed loan accruing after 90 days from the date of the demand letter to the Lender requesting the repurchase. Holder will concurrently send a copy of demand to USDA. The Lender will accept an assignment without recourse from the Holder upon repurchase. The Lender is encouraged to repurchase the loan to facilitate the accounting for funds, resolve the problem, and to permit the Borrower to cure the default, where reasonable. The Lender will notify the Holder and USDA of its decision.

9) **Purchase by USDA.** If Lender does not repurchase as provided by paragraph 7, USDA will purchase from Holder the unpaid principal balance of the guaranteed portion together with accrued interest to date of repurchase, less Lender’s servicing fee, within 30 days after written demand to USDA from the Holder. The Loan Note Guarantee will not cover the note interest to the Holder on the guaranteed loans accruing after 90 days from the date of the original demand letter of the Holder to the lender requesting the repurchase. Such demand will include a copy of the written demand made upon the Lender. The Holder or its duly authorized agent will also include evidence of its right to require payment from USDA. Such evidence will consist of the original Loan Note Guarantee properly endorsed to USDA, including all rights, title and interest in the loan. USDA will be subrogated to all rights of Holder. The Holder will include in its demand the amount due, including unpaid principal, unpaid interest to date of demand and interest subsequently accruing from date of demand to proposed payment date. Unless otherwise agreed to by USDA, such proposed payment will not be later than 30 days from the date of demand.

USDA will promptly notify the Lender of its receipt of the Holder’s demand for payment. The Lender will promptly provide USDA with the information necessary for USDA’s determination of the appropriate amount due the Holder. Any discrepancy between the amount claimed by Holder and the information submitted by the Lender must be resolved before payment will be approved. USDA will notify both parties, who must resolve the conflict before payment will be approved. Such a conflict will suspend the running of the 30-day payment requirement. Upon receipt of the appropriate information, USDA will review the demand and remit the appropriate check to the Holder.

10) **Lender’s Obligations.** Lender consents to the purchase by USDA and agrees to furnish on request by USDA a current statement certified by an appropriate authorized officer of the Lender of the unpaid principal and interest then owed by Borrower on the loan and the amount then owed to any Holder. Lender agrees that any purchase by USDA does not change, alter or modify any of the Lender’s obligations to USDA arising from said loan or guarantee nor does it waive any of USDA’s
right against Lender, and that USDA shall have the right to set-off against Lender all rights inuring to USDA as the Holder of this instrument against USDA obligation to Lender under the Loan Note Guarantee.

11) Repurchase by Lender for Servicing. If, in the opinion of the Lender, repurchase of the assigned portion of the loan is necessary to adequately service the loan, the Holder will sell the assigned portion of the loan to the Lender for an amount equal to the unpaid principal and interest on such portion less Lender’s servicing fee. The Loan Note Guarantee will not cover the note interest to the Holder on the guaranteed loans accruing after 90 days from the date of the demand letter of the Lender or USDA to the Holder requesting the Holder to tender their guaranteed portion.

a) The Lender will not repurchase from the Holder for arbitrage purposes or other purposes to further its own financial gain.

b) Any repurchase will only be made after the Lender obtains USDA's written approval.

c) If the Lender does not repurchase the portion from the Holder, USDA at its option may purchase such guaranteed portions for servicing purposes.

12) Foreclosure. The Lender is responsible for determining who the necessary parties are to any foreclosure action or who should be named on a deed of conveyance taken in lieu of foreclosure. When the conveyance is received and the property is liquidated, the net proceeds will be applied to the guaranteed loan debt. If USDA has repurchased the guaranteed portion of the loan from the Holder, the Lender must obtain USDA’s concurrence to any foreclosure action to be taken by the Lender; however, USDA will not be considered to be a necessary party to the action or otherwise required to join in.

13) Reassignment. Holder, upon written notice to Lender and USDA, may reassign the unpaid guaranteed portion of the loan sold hereunder. Upon such notification, the assignee will succeed to all rights and obligations of the Holder hereunder.

14) Notices. All notices and actions will be initiated through the USDA ______________________ (state) with mailing address at the date of this assignment: ____________________________

Dated this ________________ day of __________________, ____________.

Lender: Address: __________________________________________________________

Attest: By: ______________________________________________________________

________________________(SEAL) Title: _________________________________

Holder: Address: _________________________________________________________

Attest: By: ______________________________________________________________

________________________(SEAL) Title: _________________________________

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Exhibit 9-C (Sample)
Transfer Document for USDA Government-Guaranteed Loans
Sold Through the Multi-Note Option

Assignee Name: ____________________________________________________________
Address: _________________________________________________________________

USDA Loan Name: __________________________________________________________
USDA Loan Number: _________________________________________________________
Accrued Interest Begins: ____________________________________________________
Net Interest Rate: _______________________________________________________________________

For value received, ________________________________________________________________________ hereby assigns to ASSIGNEE without recourse all of its right, title and interest in and to the Guaranteed portion of the above-referenced UNITED STATES DEPARTMENT OF AGRICULTURE (USDA) Loan.

This assignment, or sale, is made under and subject to the terms and conditions of the enclosed Assignment and Servicing Agreement and Loan Guarantee:

RBS-4279-5
RD-449-34

Enclosed are the following supporting loan documents:
[1] The Borrower’s Original Note
[2] The Original Loan Guarantee
[3] The Original Assignment and Servicing Agreement

On ________________ , the effective date of the reassignment of this loan to ASSIGNEE, the balance of the Guaranteed Portion of this loan was $ __________. ____________.

________________________________________________________________________

agrees that it shall have no further right to retain payments on the Guaranteed Portion of this loan and agrees to forward to ASSIGNEE any such payments received by it subsequent to date hereof. The effective date of transfer and assignment of the Guaranteed Portion described above is hereby declared to be the date hereof.

Subsequent to the transfer, the ASSIGNEE shall provide an original executed Transfer Document to the originating Lender and to the appropriate office of the USDA. One (1) original executed Transfer Document must be retained with the original loan documentation package.

Should it become necessary for you to communicate with the USDA, please send all correspondence to the following address:

________________________________________________________________________
The Servicing Lender, at the following address, will provide servicing of the Loan:

_______________________________________________________________
_______________________________________________________________
_______________________________________________________________

As provided in the Assignment and Servicing Agreement, a servicing fee in the amount therein set forth will be retained by the originating Lender.

As provided in the note, a prepayment penalty, defined as: __________________________ will be collectable by the Lender.

In the event of collection and retention of that prepayment penalty by the Lender, a distribution will be passed on to the Holder of Record as follows:

__________________________________________________________________________________ .

Upon receipt of the executed Transfer Document by the Lender, remittance of principal and interest will be forwarded directly to you.

If we can be of further service, please do not hesitate to call us.

Sincerely,

By: __________________________
   Title: ______________________

________________________________ (Holder-Assignee) hereby acknowledges that it has read the enclosed documentation, and fully accepts and assumes each right, obligation and commitment of the Holder of the guaranteed portion of the above-described loan under said documents. The ASSIGNEE further acknowledges that the guarantee of USDA relates to the unpaid principal balance and interest owed by the borrower, and that any premium paid by the ASSIGNEE is not covered by USDA's guarantee and is subject to loss in the event of prepayment or default.

Holder: __________________________   Tax I.D. No.: __________________________
By: _______________________________   Title: _______________________________