

# Multi-Lender Securitization for Unguaranteed Interests in SBA 7(a) Loans

June 14<sup>th</sup>, 2024

## 1 What is a Multi-Lender Securitization of SBA 7(a) Unguaranteed Interests?

The new platform enables multiple approved SBA lenders to pool their Unguaranteed Interests in SBA 7(a) loans together and repackage them into interest-bearing securities sold to institutional investors.

## 2 First Execution, June 13<sup>th</sup> 2024: SOUP 7(a) Trust 2024 – FBC1

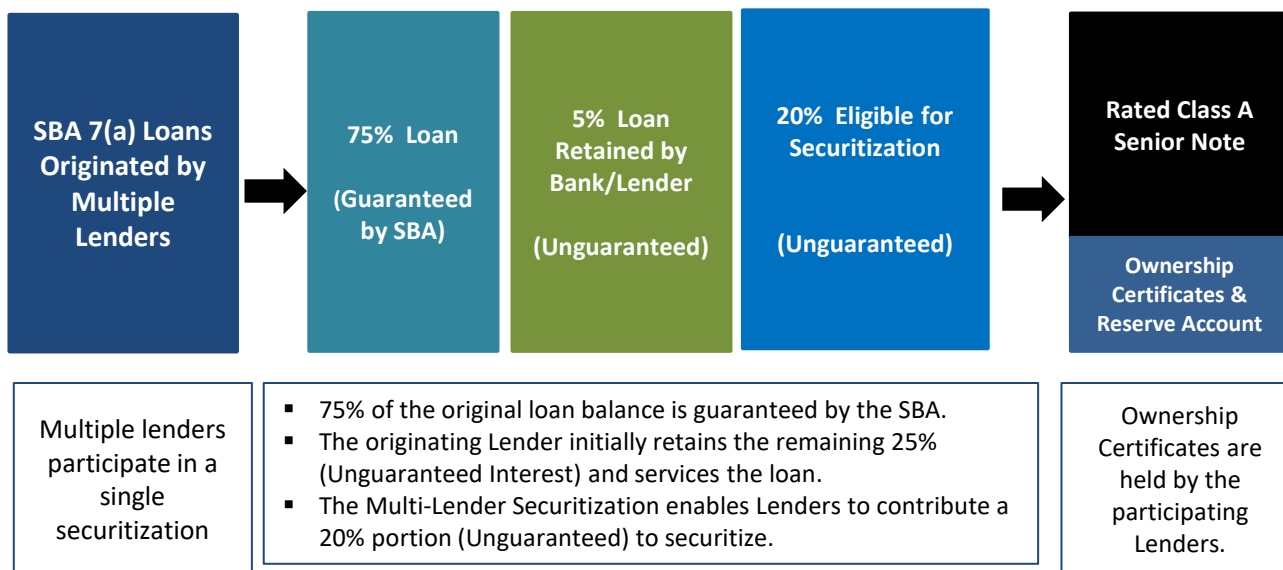
Falcon Bridge Capital (“FBC”) acted as Deal Manager, Structuring Agent and Organizer of the first Multi-Lender securitization of Unguaranteed Interests in SBA 7(a) loans.

## 3 Benefits of the Multi-Lender Platform:

It allows institutions of all sizes to collectively access capital markets, generate liquidity, and implement effective risk management strategies. It introduces an additional source of liquidity for lenders' balance sheets, reducing their sole dependence on local deposits, especially for community banks. Non-depository lenders gain access to non-recourse funding, supplementing their Repo financing.

- Lenders will be able to pool their Unguaranteed Interests onto this platform, avoiding having to create this capability individually, in-house.
- The program will allow SBA lenders to more effectively manage risk on their balance sheet and utilize a **source of permanent non-recourse liquidity**.
- Enabling small SBA participating lenders access to the securitization platform will further strengthen SBA's ability to serve and encourage small business activity in minority, low and moderate-income communities, rural areas, as well as underutilized business zones.

## 4 Securitization Overview, under SBA 13 CFR §§ 120.420 - 120.425 to securitize Unguaranteed Interests in 7(a) loans.



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### 5 Transaction Steps: Falcon Bridge Capital handles and coordinates all aspects of the process

<b>Loan Selection</b>	Loan level modeling of expected default rates assumed by S&P Rating Agency using S&P Analysis and FBC proprietary models under various stress and prepayment scenarios.
<b>Legal</b>	Complete legal documentation designed taking into considerations SBA's regulatory framework, S&P requirements to meet true sale and various other opinions required for a Securitization Trust issuing rated notes to Investors.
<b>Structuring</b>	Proprietary and novel securitization sponsor structure executed to successfully manage the risk and exposure of multiple lenders in one securitization.
<b>Due Diligence</b>	Manage a sample due diligence of loan files to ensure SBA underwriting criteria is met per lender Reps and Warrants.
<b>SBA Approval</b>	Manage all aspects of SBA approvals for securitization participants. Work with the Office of Credit Risk Management, Office of Capital Access, and Office of General Counsel to obtain lender participation approvals.
<b>S&amp;P Ratings</b>	Manage and negotiate all aspects with rating agency (S&P Global Ratings) structuring consideration for the issuing trust.
<b>Investor Presentations &amp; Note Placement</b>	Consolidate final pool with detailed metrics and indicative capital structure from the rating agency. Present the investment opportunity to various insurance companies, private equity, asset managers and pension managers for most efficient execution of the rated Class A notes.

### 6 Regulatory Considerations

<b>True Sale Accounting Analysis &amp; Guidance</b>	<p><b>ASC 860</b> – Guidance for transfer of financial assets.</p> <p><b>ASC 810</b> – Consolidation guidance to determine sale of assets.</p> <p><b>ASC 321</b> – Equity method of accounting for the securities retained by the bank.</p>
<b>FDIC Part 362 Leal Analysis</b>	Legal analysis under Part 362 of the regulations of the Federal Deposit Insurance Corporation ("FDIC") and the Federal Deposit Insurance Act ("FDI Act"), of state-chartered, nonmember banks (the "SNMBs") to each lawfully engage in certain activities in connection with the SNMBs' securitization of a portion of loans made and serviced by each under the Small Business Administration's 7(a) program.

### 7 On-Going Asset Management Responsibilities

<b>Asset Manager</b>	<ul style="list-style-type: none"> <li>▪ Provide monthly reporting to Lenders.</li> <li>▪ Fair market value calculation for retained securities.</li> <li>▪ Oversee reconciliation of monthly Principal &amp; Interest by Guidehouse (Master Servicer).</li> <li>▪ Provide on-going updates and coordinate questions from Noteholders.</li> <li>▪ Manage annual ratings confirmation with S&amp;P Global Ratings service.</li> </ul>
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## Multi-Lender Securitization of SBA 7(a) Unguaranteed Interests

### 8 Preparation and negotiation of all legal documents with key counter-parties

<b>Issuer's Counsel</b>	Morgan, Lewis & Bockius LLP
<b>Regulatory Counsel</b>	Blank Rome LLP
<b>Investor's Counsel</b>	Dechert LLP
<b>Owner Trustee Counsel</b>	U.S. Bank, N.A. Richards Layton & Finger, P.A.
<b>Indenture Trustee Counsel</b>	U.S. Bank, N.A. Chapman and Cutler, LLP
<b>Rating Agency</b>	S&P Global Ratings
<b>Placement Agent</b>	Private Placement Agent (1 <sup>st</sup> Deal placed by Goldman Sachs)
<b>Master Servicer</b>	Guidehouse, Jones Day

#### For more information, please contact:

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##### **Falcon Bridge Capital**

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