



This guide will address how to correctly fill out the Secondary Participation Guaranty Agreement, also known as SBA Form 1086. Please see the field descriptions below, along with an example Form 1086.

On page one, complete the **LENDER / BORROWER INFORMATION**.

- SBA Loan Number:** Input the 10-digit numerical SBA-assigned loan identification number.
- Lender Name:** Institution that is selling the loan.
- Lender's address:** Input the address of the Lender.
- Lender City, State and Zip Code:** Input the City, State, and Zip Code of the Lender.
- Lender Contact:** Authorized representative from the selling institution.
- Lender Telephone:** Phone number of the contact person.
- Lender Email:** Email of the contact person.
- Date of 750 Agreement (MM/DD/YYYY):** Date on the agreement that allows Lender to originate and service SBA loans.
- Borrower Name:** Name of the individual/entity that received the loan.
- Borrower's Address:** Input the address of the Borrower.
- Borrower's City, State and Zip Code:** Input the Borrower's City, State, and Zip Code.

OMB CONTROL NO.: 3245-0185  
EXPIRATION DATE: 12-31-2023  
SBA LOAN NUMBER: 123456789 **1**



### SECONDARY PARTICIPATION GUARANTY AGREEMENT

#### IMPORTANT INFORMATION

THIS FORM IS TO BE USED FOR THE INITIAL TRANSFER ONLY. ALL SUBSEQUENT TRANSFERS MUST USE THE DETACHED ASSIGNMENT SBA FORM 1088. INFORMATION COLLECTED BY THIS FORM IS USED TO RECORD THE SALE OF THE GUARANTEED PORTION OF AN SBA LOAN. THE INFORMATION IS REQUIRED TO COMPLY WITH SBA LOAN PROGRAM REQUIREMENTS AND PROGRAM PARTICIPATION. THE LENDER AND REGISTERED HOLDER COMPLETE THE FORM AND SUBMIT IT TO THE OFFICES OF THE FISCAL AND TRANSFER AGENT (FTA).

**ARTICLE I. SALE OF THE GUARANTEED INTEREST**

Section 1.1. The U.S. Small Business Administration, an Agency of the United States Government ("SBA") and the Lender named below ("Lender") entered into a guaranty agreement on SBA Form 750 ("750 Agreement") applicable to a loan ("Loan") made by Lender in participation with SBA to the Borrower ("Borrower") named below evidenced by Borrower's Note and any modifications thereto ("Note") a copy of which is attached hereto and incorporated herein by reference. Lender is the beneficiary under the 750 Agreement of SBA's guaranty of the specified percentage of the outstanding balance of the Loan ("Guaranteed Interest").

Section 1.2. The Lender certifies the following as of the date of the Lender's signature:

**LENDER / BORROWER INFORMATION**

	LENDER	BORROWER
Name:	Main Street Bank <b>2</b>	XYZ Small Business <b>9</b>
Address:	123 Main Street <b>3</b>	100 State Street <b>10</b>
City:	Anytown	Anytown
State:	Washington, D.C. <b>4</b>	Washington, D.C. <b>11</b>
Zip Code:	20001	20001
Lender Contact:	Janet Monet <b>5</b>	
Lender Telephone:	123-456-7890 <b>6</b>	
Lender Email:	janetmonet@mainstreetbank.com <b>7</b>	
Date of 750 Agreement: (MM/DD/YYYY)	10/02/2020 <b>8</b>	



On page two, enter the **LOAN INFORMATION**, **SALE & FEE INFORMATION**, and **REGISTERED HOLDER INFORMATION**.

**LOAN INFORMATION** (page two)

1. **Date of Note (MM/DD/YYYY):** Date indicated on the Note (SBA Form 147).
2. **SBA Loan Authorization Date (SBA Form 529B) (MM/DD/YYYY):** Date of Loan Authorization Agreement.
3. **Percent of SBA Guaranty:** The percentage stated on SBA’s Loan Authorization (SBA Form 529B) or any attached modification or allonge.
4. **Date SBA Guaranty Fee was Paid (MM/DD/YYYY):** Date on which the guaranty fee was paid by Lender to SBA. This fee must be paid before Form 1086 is sent to the FTA.
5. **Interest Paid-To-Date (MM/DD/YYYY):** The Interest Paid-To-Date at the time the 1086 is being completed. This may be subject to update immediately prior to settlement. Loan can be paid no more than 60 days in arrears.
6. **Date of INITIAL Disbursement (MM/DD/YYYY):** Date when the first disbursement was made to the borrower on this loan.
7. **Date of FINAL Disbursement (MM/DD/YYYY):** Date when the final disbursement was made to the borrower such that the amount undisbursed is zero.
8. **Original Face Amount (\$):** Original amount of the loan as found on the Note (SBA Form 147) or any attached modification or allonge.
9. **Outstanding Principal Amount of Loan (\$):** Outstanding Principal at the time Form 1086 is being completed. This may be subject to update immediately prior to settlement.
10. **Outstanding Principial Amount of Guaranteed Interest (Par Value) (\$):** Guaranteed portion of the amount listed in field eight. This may be subject to update immediately prior to settlement.
11. **Guaranteed Portion (f=Fixed, or V=Variable) (Check one):** Interest rate as stated on the Note (SBA Form 147).
12. **Unguaranteed Portion (F=Fixed, or V=Variable) (Check one):** Interest rate as stated on the Note (SBA Form 147).
13. **If Guaranteed Portion is Variable: Base Rate:** The current percentage of the variable base rate in relation to the loan, the word “PRIME”, or the words “SBA Peg Rate”.
14. **Guaranteed Portion:** Check one from PRIME and SBA Peg Rate.
  - a. **Note: SBA LIBOR is no longer an acceptable base rate.**
15. **Unguaranteed Portion:** Check one from PRIME and SBA Peg Rate.
  - a. **NOTE: SBA LIBOR is no longer an acceptable base rate.**
16. **Interest Accrual Method (1 or 2, choose one):** Indicate the calendar basis that is being used to calculate per interest per diem. The calendar basis selected will be maintained for the life of the loan (1 = 30/360; 2= Actual/365).

**LOAN INFORMATION**

Date of Note (MM/DD/YYYY)	12/06/2020	1
SBA Loan Authorization Date (SBA Form 529)	11/04/2020	2
Percent of SBA Guaranty (%)	75.00000%	3
Date SBA Guaranty Fee was Paid (MM/DD/YYYY)	12/06/2010	4
Interest Paid to Date (MM/DD/YYYY)	12/15/2021	5
Date of <b>INITIAL</b> Disbursement (MM/DD/YYYY)	12/06/2020	6
Date of <b>FINAL</b> Disbursement (MM/DD/YYYY)	12/06/2022	7
Original Face Amount (\$)	\$ 606,000.00	8
Outstanding Principal Amount of Loan (\$)	\$ 606,000.00	9
Outstanding Principal Amount of Guaranteed Interest (Par Value) (\$)	<b>\$ 454,500.00</b>	10
Guaranteed Portion	<input type="radio"/> Fixed <input checked="" type="radio"/> Variable	11
Unguaranteed Portion	<input type="radio"/> Fixed <input checked="" type="radio"/> Variable	12

If Guaranteed Portion is Variable: BASE RATE 3.25% 13

	PRIME	SBA Peg RATE	LIBOR	14
Guaranteed Portion	<input checked="" type="checkbox"/>			
Unguaranteed Portion	<input checked="" type="checkbox"/>			15

Interest Accrual Method (1 = 30/360; 2 = Actual/365) 1 = 30/360 16



**SALE & FEE INFORMATION** (page two)

1. **Price Paid by Purchaser (\$):** Dollar price agreed to be paid by first Purchaser to Lender. Guaranteed Outstanding Balance \* % of Par.
2. **Price Paid as a % of Par Value of Guaranty Interest (%):** Price percentage agreed to be paid by first Purchaser to Lender.
3. **SBA Annual Service Fee (%):** Annual Service Fee %.
4. **Lender Servicing Fee (%):** Lender Servicing Fee %.
5. **FTA Fee (%):** FTA Servicing Fee %.
6. **SBA Program User Fee (%) – If price is in excess of 110 percent of the outstanding principal amount of the guaranteed portion of the Loan (See Section 1.7 on Form 1086):** Percentage share to the SBA of the excess of 110 percent of the outstanding principal amount of the guaranteed portion of the Loan.

SALE & FEE INFORMATION	
Price Paid by Purchaser (\$)	\$508,535.51
Price Paid as a % of Par Value of Guaranty Interest (%) <small>508,535.51/454,500.00 x 100 =</small>	111.88900%
SBA Annual Service Fee (%)	0.49000%
Lender Servicing Fee (%)	1.00000%
FTA Fee (%)	0.12500%
SBA Program User Fee (%) – If price is in excess of 110 percent of the outstanding principal amount of the guaranteed portion of the Loan (See Section 1.7 below).	0.94450%

**REGISTERED HOLDER INFORMATION** (page two)

1. **Name:** Name of the Registered Holder (First Purchaser).
2. **Address:** First Purchaser’s Address.
3. **City, State, Zip Code:** First Purchaser’s city, state, and zip code.
4. **Contact Person:** First Purchaser’s contact person.
5. **Telephone:** First Purchaser’s contact person’s telephone number.
6. **Email Address:** First Purchaser’s contact person’s email address.

**REGISTERED HOLDER INFORMATION**

Lender hereby assigns the Guaranteed Interest to Purchaser/Registered Holder as follows:

1 Name:	Example Securities
2 Address:	60 Broad Street
3 City, State Zip Code:	Anytown TX 70000
4 Contact Person:	Marie Investor
5 Telephone:	871-555-2222
6 Email Address:	marieinvestor@purchaser-example.com

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On pages three and four, continue to fill out the Registered Holder Information.

**REGISTERED HOLDER INFORMATION** (page three)

1. **Taxpayer ID Number:** First Purchaser's TIN number. Failure to provide a TIN will subject interest earned to backup withholding.
2. **Dated:** Current date.
  - a. *Note – The legend shown in Section 1.3. must be completed on the original Note and have an authorized signer of the Lender sign and date it.*
3. **Lender:** Name of Lender. Same name as that indicated on page one of Form 1086 and on the Note (SBA Form 147).
  - a. *Note – The legend shown in Section 1.3. must be completed on the original Note and have an authorized signer of the Lender sign and date it.*

**REGISTERED HOLDER INFORMATION** (page four)

4. **Lender's Permanent Fee:** Applies to sold portions of variable and fixed rate loans. Fee is negotiated between Lender and the first Purchaser prior to the settlement. Fee remains constant for the life of the loan. Minimum fee is .40% (as of 1995) for discount and par sales; 1.00% for premium sales.
5. **Lender's Initial Fee:** Applies to sold portions of variable loans only. Fee is negotiated between Lender and the first Purchaser prior to the settlement. Loan may have an initial Lender's servicing fee during the period between final disbursement and the first interest adjustment date. \*Must conform to minimum fee requirements described in field Lender's Permanent Fee.
6. **Price paid by Purchaser (\$):** Price agreed to be paid by first Purchaser to Lender. Guaranteed Outstanding Balance \* % of Par.
7. **% Of Par:** Price agreed to be paid by first Purchaser to Lender.

Under the penalties of perjury, Purchaser **1** Registered Holder certifies that its Taxpayer Identification Number is 12-3456789, is not subject to backup withholding pursuant to an Internal Revenue Service Notice, and is a U.S. citizen or other U.S. person, as defined in Internal Revenue Service Form W-9. Failure to provide a Taxpayer Identification Number will subject interest earned to backup withholding.

Section 1.3. Lender's Sale of Guaranteed Interest.  
Lender has sold the Guaranteed Interest and acknowledges that it has received value for that Guaranteed Interest. Lender has given notice and acknowledgment of the transfer of the Guaranteed Interest by completing the following legend on the Note:  
*The guaranteed portion of this Note has been transferred to a Registered Holder for value.*

<u>12/09/2022</u> <b>2</b>	<u>Main Street Bank</u> <b>3</b>
(Dated)	(Lender)

(a) Lender has delivered or hereby delivers to FTA a photocopy of the Note and any modifications thereto with the legend; such photocopy shall be incorporated into this Agreement. This legend shall serve as notification for any future transfer of the Guaranteed Interest. The date of the legend shall be on or before the date of settlement for the sale of the Guaranteed Interest.

(b) The photocopy of the note and any modifications thereto must have a legend stating that the photocopy is a true and certified copy of the original.

Section 1.4. Annual Service Fee.  
SBA shall retain an annual service fee based on a percentage the guaranteed principal outstanding as listed above. This fee will be collected by the FTA from all payments received from the Lender and will be transmitted to SBA on a regular basis, no less frequently than monthly. This fee will be used to defray program expenses and is subject to change from time to time.

Section 1.5. Lender Servicing Fee.  
There shall be a minimum lender servicing fee required by SBA. This fee shall be published from time to time in the Federal Register. The minimum servicing fee as of the date of publication of this Form is 0.4% per annum for all loans. There shall also be a minimum premium protection fee for any Guaranteed Interest sold at a price greater than Par Value. This fee shall be published from time to time in the Federal Register. The minimum premium protection fee for those Loans sold on the secondary market at a premium as of the date of publication of this Form is 0.6% per annum. For any Guaranteed Interest sold at a price greater than Par Value, the total minimum lender fees, as of the date of publication of this Form, are 1.0% per annum.

Except for the period between final disbursement and the first interest adjustment date, Lender's total fees must remain constant for the life of the loan. Lender's total fees, as computed on the unpaid principal amount of the Guaranteed Interest, shall be entered next

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to the phrase "Lender's Permanent Fee" below. If this Agreement relates to a variable rate loan, the total fee may be adjusted for the period from final disbursement to the first adjustment date to conform the rate to market rates. If such an adjustment is used, enter the initial fee next to the phrase "Lender's Initial Fee" below.

Lender's Permanent Fee:	<u>1.000000%</u> <b>4</b>
Lender's Initial Fee	<u>0.000000%</u> <b>5</b>

- Optional - Variable Rate Loans Only – If initial fee is different than permanent fee.
- Lender's Initial Fee must conform to the minimum fee requirements above.

Price paid for the Guaranteed Interest. (Net of accrued interest. Otherwise include ALL money and other items of value exchanged.)

Price paid by Purchaser: \$ 508,535.51 **6** % of Par 111.889000% **7**

Section 1.6. FTA Fee.  
This fee is for services performed in processing Lender remittances, investor payments, and Individual Certificate administration. This fee is established annually by the FTA and is published by SBA from time to time.

Section 1.7. SBA Program User Fee.  
SBA shall retain a program user fee equal to 50% of the portion of the sale price, which is in excess of 110 percent of the outstanding principal amount of the guaranteed portion of the loan. Such fee shall be collected by the FTA and shall be remitted by FTA to SBA on a regular basis, pursuant to FTA's contract with SBA. SBA will not refund such program user fee under any circumstances.

Section 1.8. Certificate Issuance.  
Registered Holder requests that SBA issue through the FTA a Guaranteed Interest Certificate ("Certificate") evidencing ownership of the Guaranteed Interest in the name of the Registered Holder (such person or entity, or any subsequent transferee, during its respective period of ownership of the Certificate to be called the "Registered Holder"). SBA, Lender and Registered Holder (for itself and for any subsequent Registered Holder) agree to the appointment by SBA of FTA to serve as the agent to transfer Certificates and to receive loan repayments, and to transmit such payments to the Registered Holder.

A written notification to or demand upon SBA pursuant to this Agreement shall be made through FTA to:

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On page five, enter the **SBA SERVICING OFFICE CODE.**

1. **SBA Servicing Office Code (Choose one from 0350, 0626, and 0092):** SBA Servicing Office to which demand upon SBA would be made.
2. **Certificate Interest Rate ((%) (Borrower’s Note rate less applicable fees):**
  - a. Fixed Rate: Borrower’s Rate – Lender’s Servicing Fee – SBA’s and FTA’s Fees.
  - b. Variable Rate: Spread – Lender’s Servicing Fee – SBA’s and FTA’s Fees.
3. **Constant Prepayment Rate Assumption (% per annum):** Information quoted by first Purchaser to the Lender. CPR is the annualized percentage monthly prepayment rate. By selecting a CPR at which the principal is repaid, cash flows can be more accurately estimated, assuming that prepayments are spread out over time.
4. **Certificate Cap (% , if applicable):** If variable rate loan with a cap – as stated on the Note, net of Lender’s Servicing Fee, SBA’s, and FTA’s fees.
5. **Certificate Floor (% , if applicable):** If variable rate loan with a floor – as stated on the Note, net of Lender’s Servicing Fee, SBA’s, and FTA’s fees.
6. **Rate Type: *If Fixed Rate*, enter the Fixed Rate %:** Borrower’s Note Rate.
7. **Rate Type: *If Variable Rate*, please provide the additional information below:**
  - a. **Base (Check One):** Check one from PRIME and SBA PEG RATE.
    - i. **Note: SBA LIBOR is no longer an acceptable base rate.**
  - b. **Base Rate %:** The base rate chosen and reflected is between the registered holder, the lender, and the broker/dealer.
  - c. **Spread (+/- Based on Base Rate %):** +/- based on Base Rate %.
8. **Mortgage Equivalent Yield (%):** If fixed rate loan – yield quoted by first Purchaser.
9. **Bond Equivalent Yield (%):** If fixed rate loan – yield quoted by first Purchaser.

**SBA Servicing Office Code: (Choose one)**

	Office Code	Name	City, State
	0350	National Guaranty Purchase Center	Herndon, VA
1	<input checked="" type="checkbox"/>	0626	Commercial Loan Servicing Center Little Rock, AR
	0992	Commercial Loan Servicing Center	Fresno, CA

Section 1.9. CASH FLOW YIELD based on Constant Prepayment Rate. For a variable rate loan, the yield should be based upon the current net rate and should be entered as a spread from the Base Rate. EXAMPLE: Base Rate + 1% based upon 5% Base Rate and current net Rate of 6%.

Certificate Interest Rate:  % 2  
(Borrower’s Note Rate less applicable program and FTA fees)

Constant Prepayment Rate Assumption:  % per annum 3  
Certificate Cap (if applicable):  % 4  
Certificate Floor (if applicable):  % 5

Rate Type (Enter fixed or variable.)	
6	Fixed Rate % <input type="text" value="0.0000"/>
Variable Rate % (If variable rate please provide the additional information below.)	
7	Base (Check One): PRIME <input checked="" type="checkbox"/> LIBOR <input type="checkbox"/> SBA PEG RATE <input type="checkbox"/>
	Base Rate % <input type="text" value="3.2500"/>
	Spread (+/-Based on Base Rate %) <input type="text" value="2.5000"/>

Mortgage Equivalent Yield (%)  8  
Bond Equivalent Yield (%)  9

**ARTICLE II. REPRESENTATIONS, WARRANTIES, ACKNOWLEDGMENTS AND CERTIFICATIONS**

Section 2.1. Lender Certifications.  
By signing below, the Lender certifies that:

- (a) To the best of its knowledge, the Lender has underwritten, closed and serviced the loan in a prudent manner and in accordance with all SBA Loan Program Requirements as that term is defined in 13 C.F.R §120.10;
- (b) The Lender, including its officers, directors and employees, has no knowledge of a default by Borrower and has no knowledge or information that would indicate the likelihood of a default;
- (c) The Lender or its Associates will not share any premium received from this sale with a Service Provider, packager, or other loan referral source;
- (d) The loan is not a revolving loan or line of credit facility;
- (e) The Lender has paid the SBA guaranty fee;
- (f) The loan has been made and is fully disbursed to the Borrower;

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Pages 6-21 identify **ARTICLE II, REPRESENTATIONS, WARRANTIES, ACKNOWLEDGEMENTS, AND CERTIFICATIONS.**

**Please read this section in its entirety.** Completing the Certification section shows that the Lender acknowledges and complies with each section of the Secondary Participation Guaranty Agreement.

After reading Article II, complete the **CERTIFICATION** on page 22.

1. **Day:** Day of signing.
2. **Month:** Month of signing.
3. **Year:** Year of signing.
4. **REGISTERED HOLDER:**
  - a. **Name:** First Purchaser. Same as that indicated on page two of Form 1086.
  - b. **By:** Authorized signer from the Registered Holder.
  - c. **Title:** Title of the authorized signer.
5. **LENDER**
  - a. **Name:** The selling institution. Same as that indicated on page one of Form 1086.
  - b. **By:** Authorized signer from the Lender.
  - c. **Title:** Title of the authorized signer.

**CERTIFICATION**

By signing below, I hereby certify that I have authority to execute this agreement for the party on whose behalf I am signing, and that all representations made by such party are true and correct to the best of my knowledge. I further acknowledge that false statements made to the U.S. Small Business Administration can result in criminal prosecution under 18 U.S.C. 1001, 15 U.S.C. 645 and other provisions and imposition of civil money penalties under 31 U.S.C. 3729.

In consideration of the mutual promises herein contained, the parties agree to all the provisions of this Agreement.

IN WITNESS WHEREOF, the parties have executed this multi-page Agreement this 09 <sup>1</sup> day of December <sup>2</sup>, 2022 <sup>3</sup>.

<p><b>REGISTERED HOLDER:</b></p> <p>Example Securities</p> <p>By: Joe Purchaser</p> <p>Title: Vice President</p>	<p><b>LENDER:</b></p> <p>Main Street Bank</p> <p>By: Janet Monet</p> <p>Title: Controller</p>
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<p><b>U.S. SMALL BUSINESS ADMINISTRATION</b></p> <p>By: Administrator</p> <p>U.S. Small Business Administration</p>	<p>Examined and Accepted by:</p> <p><b>FISCAL AND TRANSFER AGENT</b></p> <p>By: _____</p> <p>FTA: _____</p> <p>Address: _____</p>
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**NOTICE: THE GUARANTEE OF SBA RELATES TO THE UNPAID PRINCIPAL BALANCE OF THE GUARANTEED INTEREST AND THE INTEREST DUE THEREON. ANY PREMIUM PAID BY THE REGISTERED HOLDER FOR THE GUARANTEED INTEREST IS NOT COVERED BY SBA'S GUARANTEE AND IS SUBJECT TO LOSS IN THE EVENT OF PREPAYMENT OR DEFAULT.**

PLEASE NOTE: The estimated burden for completing this form is 1 hour, including time to review, gather information and prepare responses. You are not required to respond to any collection of information unless it displays a currently valid OMB approval number. Comments on the burden should be sent to U.S. Small Business Administration, Director, Records Management Division, 409 3rd Street S.W., Washington D.C. 20416 and Desk Officer for the Small Business Administration, Office of Management and Budget, New Executive Office Building, Room 10202, Washington, D.C. 20503. OMB Approval (3245-0185). PLEASE DO NOT SEND FORMS TO THESE ADDRESSES.

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