

SBA Form 1502 Reporting: Prime Rate Change

PRIME RATE

Per SBA SOP 50 10, the rate of interest will change on the first calendar day of the adjustment period, using the base rate in effect on the first business day of the adjustment period. The Prime Rate base rate in effect on the first business day of the month will be published in the Wall Street Journal (WSJ) on the second business day of the month, following which the FTA will post the **Prime Base rate** in effect for the first calendar day of each month to the [FTA Wiki](#). FTA will also update the **maximum allowable fixed interest rate**, which is also based on the Prime rate in effect on the first business day of the month. Interest Rate adjustment dates that fall during a reported interest period will require two lines broken out by the Interest Rate column on Form 1502.

PRIME RATE – CALENDAR MONTHLY VS. CALENDAR QUARTERLY

For variable interest rate loans with Prime Rate as the base rate, **Lenders must adjust their interest rates based on the change frequencies specified in their Notes.** The Calendar Monthly Prime Rate base rate increased from 8.25% to 8.50% on July 27, 2023. Calendar Monthly loans were adjusted on Tuesday, August 1, 2023.

Calendar Quarterly rates are updated in January, April, July, and October. For variable interest rate loans that adjust according to their Notes on the calendar quarter, the Prime Rate base rate was adjusted to 8.50% on Sunday, October 1, 2023. The quarterly prime rate in effect on October 1st was published in the WSJ on Tuesday, October 3, 2023 (i.e., second business day of the month). Lenders must reflect the interest rate adjustments on Form 1502 for reported Interest Period dates on or after the rate adjustment date for each loan.

The example below reflects the Calendar Monthly Prime Rate base rate adjustment to 8.50% that took effect on August 1, 2023. Moving forward, **lenders must review the rates posted to the FTA Wiki** to ensure they are using the current prime rate in their reporting.

											Month Ending: <u>8/31/2023</u>				
											Interest Period				
											Total to FTA				
SBA GP Number (ten digits only)	Lender Loan Number	Next Installment Due Date (mm/dd/yyyy)	Status (4 - 9 or blank if N/A)	Amount Disbursed this Period on Total Loan	Amount Undisbursed on Total Loan	Interest Rate (%)	Guar. Portion Interest	Guar. Portion Principal	Guar. Portion Pymt or Fee	From (mm/dd/yyyy)	To (mm/dd/yyyy)	# of Days	Calendar Basis	Guar. Portion Closing Balance	Remittance Penalty (if any)
1234567890	ABC123	09/15/2023		0.00	0.00	9.25%	1,023.25	0.00	\$1,023.25	07/15/2023	08/01/2023	17	365	237,510.45	0.00
1234567890	ABC123	09/15/2023		0.00	0.00	9.50%	865.45	523.00	\$1,388.45	08/01/2023	08/15/2023	14	365	236,987.45	0.00
SOLD loan (Prime + 2% Gross); Lender retains 1% Servicing Fee; Interest rate adjustment during reported Interest Period; Borrower 08/15/23 payment covers 31 days.															
9876543210	XYZ456	09/01/2023		0.00	0.00	10.25%	3,373.37	1,244.43	\$161.26	07/01/2023	08/01/2023	31	365	386,255.57	0.00
UNSOLD loan (Prime + 2% Gross); Subject to 49 basis points Annual Servicing Fee; Borrower 08/01/23 payment paid To the loan Interest Rate adjustment date.															

