# State Small Business Credit Initiative
# Loan Participation Program Policy

***This State Small Business Credit Initiative Loan Participation Program Policy ("Program Policies") was adopted on the [XX$^{th}$ day of Month 2024] by the Board of Directors of the New Mexico Finance Authority ("NMFA"), a public body politic and corporate, separate and apart from the State of New Mexico constituting a governmental instrumentality, created by the New Mexico Finance Authority Act, Section 6-21-1 et. seq., NMSA 1978.***

## I. PURPOSE

### A. Statutory Authority

The mission of the Statewide Economic Development Finance Act, §6-25-21 through §6-25-29, NMSA 1978, as amended ("the Act"), is to stimulate economic development with needed programs in the public interest that serve necessary and valid public purposes. Through the Act, the New Mexico Finance Authority ("NMFA") is authorized to operate loan participation programs that benefit private for-profit and not-for-profit organizations.

Under that grant of authority the NMFA has operated the state-funded "Smart Money Loan Participation" program in addition to a bank loan participation program focusing on shorter term working capital loans funded in 2011 by the State Small Business Credit Initiative (SSBCI), a federal program administered by the United States Department of the Treasury (the "U.S. Treasury Department") intended to strengthen state programming supporting private financing to small businesses.

Pursuant to the Act, the NMFA Board of Directors adopted amended and restated Rules governing the administration of the federally funded loan participation program, which were approved by the NMFA Oversight Committee on November 1, 2023.

### B. SSBCI & Loan Participation Program Mission

The federal State Small Business Credit Initiative ("SSBCI") was established in 2010 to help increase the flow of capital to small businesses. In 2021 Congress reauthorized and expanded SSBCI under ARPA and provided $10 billion to support small businesses and technical assistance as the country emerges from the covid pandemic. SSBCI funding seeks to expand access to capital, promote income resiliency and jobs, and increase economic opportunity while focusing on expanding opportunities in underserved communities lacking capital and building ecosystems supporting entrepreneurs and small businesses.

In a purchasing loan participation program, the State provides credit enhancement by purchasing a portion of a loan originated by a lender. These programs help reduce credit risk and enhance portfolio diversification for lending institutions. For small businesses, they improve the affordability of working capital. The State of New Mexico is seeking to deploy at least fifty-seven percent (57%) of its total SSBCI award to SEDI-owned businesses.

### C. Policy Objectives

The Rules define eligible entities, projects and originators, describe the application and evaluation process, and outline certain terms and requirements governing loan participations. These Program Policies provide additional guidance regarding program implementation, including qualified originators, eligibility requirements for projects and loans, loan structuring parameters including interest rates, amortization periods and collateral requirements, and SSBCI compliance and reporting requirements.

These Program Policies shall be implemented by the NMFA Board of Directors, pursuant to the authority of the Act and SSBCI, as amended and supplemented from time to time, and may, at times, be waived or revised, if the NMFA Board of Directors determines a deviation or revision is appropriate. Any revisions to these Program Policies will be reflected in a new documented version dated as of the NMFA Board of Directors approval of the revision. Any waiver or revision must not conflict with the provisions of the Act.

## II. DEFINITIONS

The following words and terms, when used in this Program Policies shall have the following meaning, unless the context clearly indicates otherwise:

A. "Act" means the Statewide Economic Development Finance Act, §§ 6-25-1 to 6-25- 28 NMSA 1978, as amended and supplemented from time to time;

B. "Applicant" means an Eligible Entity that has filed a loan application with an Originator that has requested the NMFA to participate in a loan to such Eligible Entity;

C. "Application" means a written document filed with the NMFA by an originator for the purpose of requesting the NMFA to purchase a loan participation to provide financial assistance for the Applicant's project;

D. "Board" means the NMFA Board of Directors;

E. "Credit Committee" means a committee of staff members appointed by the Chief Executive Officer;

F. "Department" means the New Mexico Economic Development Department;

G. "Economic Development Committee" means a committee appointed by the NMFA Board Chair from the members of the Board and/or the NMFA staff;

H. "Economic Development Goal" means:
   (i) assistance to rural and underserved areas designed to increase business activity, including agricultural enterprises, such as new or ongoing agricultural projects that add value to New Mexico agricultural products;
   (ii) retention and expansion of existing business, including agricultural enterprises, such as new or ongoing agricultural projects that add value to New Mexico agricultural products;
   (iii) attraction of new business, including agricultural enterprises, such as new or ongoing agricultural projects that add value to New Mexico agricultural products; or
   (iv) creation and promotion of an environment suitable for the support of start-up and emerging business, including agricultural enterprises, such as new or ongoing agricultural projects that add value to New Mexico agricultural products within the state;

I. "Economic Development Revolving Fund" means the fund of that name created by the Act;

J. "Eligible Entity" means a for-profit or not-for-profit business, including an agricultural enterprise, such as new or ongoing agricultural projects that add value to New Mexico agricultural products and including a corporation, limited liability company, partnership or other entity, determined by the department to be engaged in an enterprise that serves an economic development goal and is suitable for financing assistance;

K. "Eligible Loan" means a loan for a Standard Project that meets the limitations and prohibitions on loan purposes for SSBCI under 12 U.S.C. § 5705(f)

L. "NMFA" means the New Mexico Finance Authority;

M. "Originator" means a commercial bank, savings and loan association, mutual savings bank, or other financial institution that:

(i) is either insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Association, or regulated by the Office of Thrift Supervision, the Office of the Comptroller of the Currency, the Federal Reserve, or state banking regulators under New Mexico banking laws or substantially similar banking regulations or statutes of another state and is authorized to perform banking functions within the state;
(ii) is approved by the NMFA; and
(iii) has entered into an agreement with the NMFA to act as a seller and servicer of a loan under the Program;

N. “Oversight Committee” means the joint interim legislative committee established pursuant to § 6-21-30 NMSA 1978;

O. “Program” means the Loan Participation Program authorized by the Act;

P. “Program Policies” means these policies governing the loan participation program authorized by the Act;

Q. “Project” means a standard project;

R. “Socially and Economically Disadvantaged Individuals” or “SEDI” is defined in the State Small Business Credit Initiative Capital Program Policy Guidelines and means individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same or similar line of business who are not socially or economically disadvantaged;

S. “Small Business” means a corporation, partnership, sole proprietorship, non-profit or other legal entity that:

(i) is domiciled in the State;

(ii) is independently owned and operated; and

(iii) employs fewer than 500 employees;

T. “SSBCI” means the Small Business Credit Initiative Act of 2010 (Title III of the Small Business Jobs Act of 2010, Public Law No. 111-240, 124 Stat. 2504), as amended by the American Rescue Plan of 2021 (Public Law No. 117-2, 135 Stat. 4) (“ARPA”) and all federal law, regulations, policies, guidelines and national standards related thereto;

U. “Standard Project” means land, buildings, improvements, machinery and equipment, operating capital and other personal property for which financing assistance is provided for adequate consideration, taking into account the anticipated quantifiable benefits of the standard project, for use by an Eligible Entity as:

(1) industrial or manufacturing facilities;
(2) commercial facilities, including facilities for wholesale sales and services;
(3) health care facilities, including hospitals, clinics, laboratory facilities and related office facilities;
(4) educational facilities, including schools;
(5) arts, entertainment or cultural facilities, including museums, theaters, arenas or assembly halls;
(6) recreational and tourism facilities, including parks, pools, trails, open space and equestrian facilities; and
(7) agricultural enterprises, including new or ongoing agricultural projects and projects that add value to New Mexico agricultural products;

V. "State" means the State of New Mexico;

W. "Very Small Business" or ("VSB") means a Small Business that employs fewer than 10 employees.

## III. ELIGIBLE SMALL BUSINESSES; ELIGIBLE LOANS

Under the Program, the NMFA purchases loan participations from Originators of loans for Standard Projects to Small Businesses that meet the definition of Eligible Entities.

### A. Eligible Small Businesses

Small Businesses that are Eligible Entities must be determined by the Department to be engaged in an enterprise that serves an Economic Development Goal. Additionally, per SSBCI, Applicants must provide the following assurances to qualify for funding:

- Is not owned by an executive officer, director, or Principal of the Originator, or person with comparable capacity with or significant ownership in the Originator, or a member of the immediate family of such a person;
- Is not engaged in speculative activities that develop profits from fluctuations in price rather than through the normal course of trade unless those activities are incidental to the regular activities of the business and are part of a legitimate risk management strategy to guard against price fluctuations related to the regular activities of the business or through the normal course of trade;
- Is not engaged in pyramid sales, where a participant's primary incentive is based on the sales made by an ever-increasing number of participants;
- Is not a business engaged in activities that are prohibited by federal law or, if permitted by federal law, applicable law in the jurisdiction where the business is located or conducted (this includes businesses that make, sell, service, or distribute products or services used in connection with illegal activity, unless such use can be shown to be completely outside of the business's intended market);

this category of businesses includes direct and indirect marijuana businesses, as defined in SBA Standard Operating Procedure 50 10 6;

- Is not a business deriving more than one-third of gross annual revenue from legal gambling activities[1], unless the business is a Tribal SSBCI participant, in which case the Tribal SSBCI participant is prohibited from using SSBCI funds for gaming activities, but is not restricted from using SSBCI funds for non-gaming activities merely due to an organizational tie to a gaming business;
- No principal[2] of the borrowing entity has been convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (42 U.S.C. § 16911)).
- Is not a business that earns more than half of its annual net revenue from lending activities, unless the business is (1) a CDFI that is not a depository institution or a bank holding company, or (2) a Tribal enterprise lender that is not a depository institution or a bank holding company; and
- At the time of loan obligation, is not be delinquent in any taxes owed the State, and is in good standing with the State Secretary of State.

### B. Eligible Loans

Loans for Standard Projects must meet the below to be eligible under the Program:

1. May be lines of credit or term loans where proceeds are used for business start-up or expansion, facility (purchase, construction or renovation), technology upgrades, acquisition of equipment, inventory, or other working capital needs
2. May be for amounts between $200,000 to $7,500,000
3. Enrollment would not result in a single loan being enrolled in more than one program associated with SSBCI at the same time

Additionally, per SSBCI, Originators must provide assurances of the following to qualify for funding:

- The SSBCI-supported loan is not being made to place under the protection of the approved program prior debt that is not covered under the approved program and that is or was owed by the borrower to the Originator or to an affiliate of the Originator.
- If the SSBCI-supported loan is a refinancing, it complies with all applicable SSBCI restrictions and requirements regarding refinancing and new extensions of credit, including that the SSBCI-supported loan is not a refinancing of a loan previously made to the borrower by the Originator or an affiliate of the Originator.

---

[1] "gaming activities" for purposes of Tribal SSBCI programs is defined as Class II and Class III gaming under the Indian Gaming Regulatory Act (IGRA), 25 U.S.C. § 2703.

[2] For purposes of this certification, "principal" is defined as if a sole proprietorship, the proprietor; if a partnership, each partner; if a corporation, limited liability company, association, development company, or other entity, each director, each of the five most highly compensated executives, officers, or employees of the entity, and each direct or indirect holder of 20 percent or more of the ownership stock or stock equivalent of the entity.

- No principal of the Originator has been convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (42 U.S.C. § 16911)).[3]
- May not be for any of the following purposes:
  - acquiring or holding passive investments in real estate;
  - the purchase of owner-occupied residential housing;
  - the construction, improvement, or purchase of residential housing that is owned or to be owned by the Borrower;
  - the purchase of real property that is intended for resale or not used for the business operations of the Borrower;
  - the purchase of securities;
  - lobbying activities;
  - the purchase of good will;
  - inside bank transactions;
  - repayment of delinquent federal or state income taxes unless the Borrower has a payment plan in place with the relevant taxing authority with respect to such delinquent taxes;
  - repayment of taxes held in trust or escrow;
  - reimbursement of funds owed to any owner, including any equity injection or injection of capital for the business's continuance;
  - purchase of any portion of the ownership interest of any owner of the Borrower, such as the acquisition of shares or member interests of a company or the partnership interest of a partner when the proceeds of the Enrolled Loan will go to any existing owner or partner of the Borrower;
  - refinance any portion of a loan enrolled in another state or federal credit enhancement or credit insurance program;
  - a loan in which any Principal of a Borrower has been convicted of a sex offense against a minor as such terms are defined under 34 U.S.C. 20911;
  - a loan that is contrary to federal or State law or policy; or
  - any additional prohibited uses in the SSBCI Capital Program Policy Guidelines as amended.
- Does not violate predatory lending laws or other state or federal laws, policies, regulations, or guidance

[3] For the purposes of this certification, "principal" is defined as if a sole proprietorship, the proprietor; if a partnership, each partner; if a corporation, limited liability company, association, development company, or other entity, each director, each of the five most highly compensated executives, officers, or employees of the entity, and each direct or indirect holder of 20 percent or more of the ownership stock or stock equivalent of the entity.

## IV. APPLICATION REQUIREMENTS AND EVALUATION

### A. Originating Financial Institutions

In entering into a loan participation the NMFA relies on the Originator for significant functions. As such, prior to accepting an Application from any regulated financial institution, the NMFA will determine if the financial institution is in good regulatory standing and if the financial institution has the experience and resources necessary to underwrite, service and monitor the proposed loan.

The NMFA may request the following information to make this determination:

1) Audited financial statements;
2) Latest annual report;
3) Uniform Bank Performance Report;
4) Names and biographies of current Board of Directors
5) Number of branches and locations serving New Mexico small businesses;
6) Number of personnel supporting lending to New Mexico small businesses;
7) Number of personnel supporting loan servicing, monitoring and compliance;
8) Underwriting and credit policies;
9) Loan loss reserving policy;
10) Industry and geographic expertise
11) Lending and other services provided to SEDI-owned businesses and VSBs; and
12) Description of past/current experience with SSBCI-funded programs;

### B. Applications

Originators may complete an Application form made available online by the NMFA that requests the following information. The Application form has two parts: the first requests basic Applicant and Project information in order to determine eligibility for funding; if the Applicant and project meet eligibility requirements, the second part of the Application is made available and requests the following underwriting information:

1) a bank summary report, including evidence of Originator approval at the required level and supporting documentation and analysis used for the approval;
2) details of the ownership structure of the Applicant reflecting all persons or entities who hold direct or indirect interests in the Applicant;
3) a list of all outstanding or pending loan(s) of the Applicant;
4) personal financial statement of all owners and/or guarantors of the applicant along with current credit reports and tax returns:
5) three most recent years' financial statements and federal income tax returns of the Applicant; as well as, current year-to-date financial statements, including balance sheet, profit and loss statement
6) if the project involves the purchase of real property, including raw land on which a structure is to be built, NMFA will likely require appraisals, environmental assessments and potentially fixed price contracts with the contractor, and/or details on the contractor's qualifications and a construction timeline;
7) copies of material leases to which the Applicant is a party for land, building and improvements related to the project;

8) an estimate of the number of jobs to be created or retained by this project and the wages associated with those jobs, as well as descriptions of other community impacts related to the project;
9) for equipment loans an appraisal of the equipment value if available;
10) if applicable, certification the Applicant is SEDI-owned; and
11) any additional information reasonable requested by the NMFA.

Staff will notify an Originator if an Application is incomplete and shall describe the additional information needed to complete the Application.

### C. SEDI Prioritization; Application Review & Approval

Staff will prioritize Applications from SEDI-owned businesses or for Projects located in CDFI Investment Areas.[4] Staff will review complete Applications and will determine whether to approve an Application for a loan participation based on:

- the Applicant's experience and financial history;
- the economic feasibility of the proposed Project;
- the impact the proposed loan participation would have on the loan participation portfolio of the NMFA on the concentration by industry area and geographic region;
- the ability of the project to advance Economic Development Goals;
- the impact the proposed loan participation would have on meeting the SEDI objective of the SSBCI program.

Staff presents recommendations for approval of Applications, including the participation percentage, amount and terms of participation, to the Credit Committee. The Credit Committee will forward Applications recommended for approval to the Economic Development Committee. Staff will provide notice to an Originator of its decision not to recommend a completed application for consideration to the Economic Development Committee within five (5) business days following the Credit Committee's decision to not recommend the Application.

The Economic Development Committee will consider the purchase of the loan participation for the Project and may confer with outside parties as necessary to obtain more information on the feasibility of the Applicant's Project and the creditworthiness of the Applicant. The Economic Development Committee will forward to the Board those Applications it recommends for approval. Such recommendation will specify the total loan amount and the recommended amount of the NMFA's participation.

Once a recommendation has been made the Board will consider the application no later than the next regular Board meeting at which such item may be properly considered, or forty-five (45) days after Economic Development Committee action, whichever comes first. The Board may approve all or part of the application as recommended by the Economic Development Committee and shall either adopt the findings set forth in the recommendation with respect to

[4] As defined in 12 C.F.R. § 1805.201(b)(3)(ii); For each calendar year, the U.S. Treasury will use the list of CDFI Investment Areas identified by the CDFI Fund as of January 1 of that calendar year. The U.S. Treasury has provided a mapping tool to identify whether the relevant address is in a CDFI Investment Area.

eligibility, the nature of the project, and the adequacy of consideration or shall specify the Board's own findings on those subjects. Board approval may specify, at the Board's discretion, terms and conditions of the loan participation as necessary to ensure repayment, including but not limited to, maximum loan term and minimum annual payments. The NMFA will notify the Originator of the approval or disapproval of the application within seven (7) business days of Board action.

## V. SWEDFA CONFIDENTIALITY

Pursuant to §6-25-27 of the Act, once determined by the NMEDD that the project serves an economic development purpose and is suitable for funding, information obtained by the NMFA or NMEDD that is proprietary technical or business information or related to the possible relocation or expansion of an eligible entity shall be confidential and will not be subject to inspection pursuant to the Inspection of Public Records Act. The determination from NMEDD that the project is an "eligible entity" under the Act does not constitute a promise to provide funding.

## VI. STRUCTURING PARAMETERS

### A. Interest Rates

The primary goal of the interest rate policy is to define the sliding scale risk premium that will adequately compensate the NMFA for risk taken. The following variables will affect the pricing of NMFA's loan participation: company specific variables; the marketplace the bank operates in; general economic conditions and commitment to meet economic development goals; and matching the pricing and maturity of the originator's loan terms relative to risk.

Fixed base interest rates on the NMFA portion of any loan participation are determined by U.S. Treasury Bills, Notes or Bonds ("Treasuries") of like maturity. Risk ratings are a major component of interest rate determination. NMFA will analyze each project and adjust the base rate upward for a risk premium based on the following risks:

1) *Industry Risk* – NMFA seeks to support businesses in proven industries with positive outlook for success. Businesses in emerging or declining industries may be assessed a risk premium of up to 0.5%.
2) *Business Risk* – Businesses that have identified risks that are unique to the client due to the operating cycle, make-up or strategy of the company may be assessed a risk premium of up to 0.5%.
3) *Management Risk* – NMFA seeks to support companies that operate efficiently and profitably. Businesses with identified management composition or style characteristics that compound risk may be assessed a risk premium of up to 0.5%.
4) *Transactional Risks* – NMFA may assess a risk premium of up to 0.5% for each of the following:
    (a) Term of the loan;
    (b) Collateral;
    (c) Guarantees or other third party support; and
    (d) Covenants and other conditions associated with the loan documents.

### B. Maximum Loan Amortization

The maximum amortization period is bound by the useful life of the asset being financed within the following limits:

| | |
|---|---|
| Real Estate | Up to 25 years |
| Machinery and Equipment | Up to 15 years |
| Working Capital | Up to 18 months if unsecured<br>Up to 36 months if secured<br>Up to 60 months for seasonal lines of credit |

The amortization of NMFA loan participation may differ from the private bank's portion of the loan, however, in no instance shall the bank's term end prior to that of the NMFA's and the bank must always ensure that it has more in principal than NMFA at any given time.

### C. Collateral Requirements

Collateral provisions in the loan shall provide that in the event of default, the bank, on behalf of NMFA, has right to take the collateral in satisfaction of the debt or to sell the collateral and use the proceeds to pay off the debt. Collateral coverage is calculated as the ratio of net available collateral after applying standard liquidation factors and subtracting liens, to the amount of the proposed loan. The loan to value ratio is based on the lesser of reasonable project costs (including architectural, engineering and capitalized interest) or a market value appraisal. Loans to be secured by real estate or equipment or securities are generally not to exceed the following loan-to-value guidelines:

| **Type of Collateral** | **Loan-to-Value Limits %** |
|---|---|
| Raw Land | 70% |
| Construction | 90% |
| Commercial Property | 85% |
| Machinery and Equipment | 80% |
| Inventory | 60% |
| Accounts Receivable | 75% of less than 90-day |
| Stocks (liquid) | 80% of market value |
| Bonds (liquid) | 90% of market value |

### D. Loan Participation Amounts and Percentages

SSBCI focuses on shorter term loans and may take a collateral position that is subordinate to the originating banks under the following terms:

| Location | Rural | | Urban | |
|---|---|---|---|---|
| *Terms* | *pari-passu* | *subordinate* | *pari-passu* | *subordinate* |
| Max Term for Eligible Proceeds | | | | |
| Building | 10 years | 10 years | 10 years | 10 years |
| Equipment | 10 years | 10 years | 10 years | 10 years |
| Working Capital Term Note | 4 years | 4 years | 4 years | 4 years |
| Working Capital RLOC (1 year) | 5 years | 5 years | 5 years | 5 years |
| Max Total Bank/NMFA Loan Size | $7.5 million | $7.5 million | $5 million | $5 million |
| Max SSBCI Participation | $3 million | $2.5 million | $ 2 million | $2 million |
| 1 year Revolving Line of Credit | 40% | 30% | 40% | 30% |
| 3-5 year term note | 30% | 25% | 25% | 20% |
| 6-15 year term | 25% | 20% | 20% | 15% |
| More than 15 years | 20% | 15% | 15% | 10% |

For purposes of this Program, Applicants located *outside* the communities of Albuquerque, Belen, Bernalillo, Corrales, Espanola, Las Cruces, Los Alamos, Los Lunas, Rio Rancho and Santa Fe are considered rural.

### E. Loan Securitization

NMFA will require the originator perfect the security interest in conjunction with closing, and to obtain any required subordination agreements for liens that are required to be junior, in order to obtain the desired priority position agreed upon. NMFA will require post filing lien searches that document the approved lien position. This will be provided for in the participation agreement.

## VII. MONITORING, REPORTING AND SSBCI COMPLIANCE REQUIREMENTS

### A. Loan Servicing

Originators are responsible for applying repayments by the borrower and otherwise servicing the loan in compliance with the following:

1) The originating bank and the NMFA shall each share in all principal and interest payments proportionate to their respective percentage of ownership interest in the loan.

2) The originating bank must administer the loan with the same care it applies to its own loans, in a commercially reasonable manner, and consistent with prudent industry practices.
3) The originating bank may not, without prior consent and concurrence of the NMFA, make or consent to any amendments in the terms and conditions of the loan.
4) Knowledge of any material change, technical default in the financial condition of the borrower or other factors affecting the loan requires that the participating bank promptly notify the NMFA.
5) In the event of a loan default the NMFA and originating bank will consult and establish a mutually agreed upon course of action to be pursued by the originating bank to collect the amounts then owed under the loan. The originating bank and the NMFA will share in subsequent principal or interest payments and/or collections in the priority and portion of their loan participation.
6) NMFA will work as stated in the participation agreement with the originating bank to monitor the creditworthiness and collateral of borrowers so that they can detect as early as possible any credit or collateral deterioration.

### B. Monitoring and Reporting Requirements

The NMFA requires originators provide copies of inspections, updated financials and reports when received from borrowers, in addition to the following:

1) Documented results of site visit reports as they occur;
2) Records of additional requests for an increase in a line of credit;
3) An analysis of financial problems, renewals and plant visits or the appearance of symptoms indicating future problems;
4) Periodic summaries of performance plans and financial health of the business; and
5) Analysis of the risks and earnings of the borrower.

The participation agreement should provide that semi-annual audits of the bank's compliance may be conducted by NMFA and that NMFA have remedies such as financial penalties for failure to comply. Material breaches by the bank that are not cured within fifteen (15) days may trigger additional remedies such as NMFA's participation converting to a pari-passu interest (if originally subordinate) or to a senior interest (if originally pari-passu). At NMFA's discretion, the NMFA may require the bank to buy-out NMFA's interest in a loan for repeated material breaches. Further, on a bank default, the NMFA may require the bank, at the bank's sole cost and expense, to engage a professional, third-party manager of the loan, and to disgorge any lender servicing fees.

NMFA's participation agreement shall also allow the NMFA to require the originator secure NMFA approval for any action relating to servicing the loan at NMFA's option. The NMFA reserves the right to assume loan servicing in the event of a bank sale, merger, regulator take over or cease and desist, or default.

### C. SSBCI Compliance

Each originator is required to provide information sufficient to meet all federal compliance and reporting requirements of SSBCI as detailed in the SSBCI Capital Program National Compliance Standards, including all relevant conflict of interest, use of proceeds, sex offender and other certifications.