



# NOTES OF INTEREST

**New legislation ensures small businesses have access to the credit they need to support economic recovery**

## BEST 504

Growth Corp is the Midwest's Largest 504 Lender and one of the top ten nationwide. We have experienced, dedicated Lenders that focus solely on 504 loans. This level of experience is unsurpassed by the competition. Call: 877-BEST 504 and see why!

**Recent Changes to the 504 Loan Program Include:**

## Reduction in Fees and New Energy Efficiency Goals

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (i.e. the "Recovery Act"). Included in this legislation are provisions that ensure small businesses have access to the credit they need to support economic recovery. As stated in a Press Release from the White House Press Secretary on March 16, 2009, "The Obama Administration firmly believes that economic recovery will be driven in large part by America's small businesses, which have generated about 70% of net new jobs annually over the past decade."

What does that mean for you? Section 501 of this legislation provides for the reduction and elimination of certain SBA fees associated with 504 loans. An official SBA policy notice issued on March 16, 2009, formally authorizes CDC's to eliminate the 0.5% third party lender fee and the 1.5% CDC processing fee from all 504 loans approved on or after February 17, 2009. This will result in a savings of thousands of dollars for borrowers.

Keep in mind, the 504 Loan Program was actually designed to improve or help stimulate local economic structures by helping businesses have an impact on the community. Eligibility for the 504 program actually requires either job creation or an alternative impact on the economy, such as expansion of exports, rural development, or expansion of a woman-owned, minority-owned, or veteran-owned business.

In addition, the SBA has expanded 504 loan eligibility criteria to include energy efficiency improvements. The 504 can help small businesses make significant capital improvements including extensive renovations to increase energy efficiency overall. Therefore, small businesses may qualify for larger 504 loans...up to \$4 million dollars... on commercial real estate under the new energy goals.

The 504 Program continues to be an under-used program, but more and more banks are realizing the benefits of participating in this unique financing tool. Given the uncertainty in commercial real estate values, the 504 Loan pro-



vides a stronger collateral position and greatly reduces risk. In fact, a statement issued by Darryl K. Hairston, Acting Administrator of the U.S. Small Business Administration, urges community banks and other lenders to try to reach as many qualified buyers as possible by utilizing SBA loan programs during these difficult times.

Getting information on the 504 Loan Program is easy. Log on to [www.growthcorp.com](http://www.growthcorp.com) for updated rate information, a full description of the program, a payment calculator, and all the materials you need to get the application process underway. If at any time you would like to meet with a Loan Specialist, just call us at 877-BEST 504 and we'll be happy to schedule an appointment ■

**20 YEAR FIXED  
EFFECTIVE RATE  
(servicing fees included)  
JANUARY 2009**

**6.53%**

**10 YEAR FIXED  
EFFECTIVE RATE 6.20%**

# 504 Loan Program Fees Reduced...

*Temporary elimination of CDC processing fee and Bank's first mortgage fee will add up to huge savings for borrowers*

**FACT...** 504 Loans provide small business owners with a steady source of new, long-term capital at a fixed rate. In addition, they are fully amortized over 20 years (10 for equipment), and there are no rate adjustments for that period.

The stimulus bill is bringing significant benefits to both 504 borrowers and participating lenders. Basically, the Bill is temporarily lowering fees to borrowers, making the 504 program even more attractive. Those fees include the temporary elimination of the Bank's first mortgage fee and the CDC processing fee. This will result in thousands of dollars of savings to the borrower.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (i.e. the "Recovery Act"). Section 501 of this legislation provides for the reduction and elimination of certain SBA fees associated with 504 loans. Until now, the scope and extent of

this provision had not been clearly defined. However, an official SBA policy notice was issued today, which formally authorizes CDC's to eliminate the 0.5% third party lender fee and the 1.5% CDC processing fee from all 504 loans approved on or after February 17, 2009.

Remember, this is a temporary elimination...which is set to expire when the appropriation has been exhausted. Based on projected 504 loan volume, the SBA estimates the fee elimination to be applicable through the end of this calendar year. All loans being processed from this point forward will automatically be adjusted to incorporate these changes.

<b>BEFORE RECOVERY ACT</b>		<b>AFTER RECOVERY ACT</b>	
Net Proceeds	\$400,000	Net Proceeds	\$400,000
<b>CDC Fee (1.5%)</b>	<b>\$6,000</b>	<b>CDC Fee</b>	<b>\$0</b>
Closing Cost	\$2,500	Closing Cost	\$2,500
Colson Fee (.25%)	\$1,000	Colson Fee (.25%)	\$1,000
Subtotal	\$409,500	Subtotal	\$403,500
Underwriter (.4%)	\$1,648	Underwriter (.4%)	\$1,624
<b>TOTAL</b>	<b>\$411,148</b>	<b>TOTAL</b>	<b>\$405,124</b>
Gross Bond	\$412,000	Gross Bond	\$406,000
Cash to Borrower	\$852	Cash to Borrower	\$876
<b>1st Mortgage Fee</b>	<b>\$2,500</b>	<b>1st Mortgage Fee</b>	<b>\$0</b>
<b>Total Fees</b>	<b>\$13,648</b>	<b>Total Fees</b>	<b>\$5,124</b>

**TOTAL SAVINGS OF \$8,524 (APPROXIMATELY 63%)**

If you would like any more information or want to schedule a 504 training session for your lending team, please call 800-BEST 504.

**Did you know...** a down payment for a 504 loan can be cash or land value, which can include building, structure, and other site improvements that will be part of the project property previously acquired.

# Getting the Most from the 504. . .



Have you considered using the 504 with projects that are currently in interim financing?

- ✓ Do you have a construction project that has a cost overrun?
- ✓ Want to improve your collateral position?
- ✓ Looking to manage liquidity or the bank's total lending to one borrower?
- ✓ Have a borrower with a minimal down payment that needs to preserve capital?
- ✓ Is your bank choosing to be more careful/cautious?
- ✓ Have a borrower that could have easily come up with 20-25% down six months ago, but now might need that extra capital?
- ✓ Feel your borrower could benefit from the certainty and stability a 20-year fixed rate provides?
- ✓ Does your borrower need to finance some expenses related to furniture/fixtures?

Growth Corp's 504 may be your answer. The 504 can take out 30-40% of a project that is currently in its interim construction phase, slashing the risk for your bank. Since our closings can't happen prior to all construction being completed, it gives us the opportunity to still come into a construction project after it has started...and possibly even after its completed – as long as it is still financed with a construction/interest-only loan. Take a closer look at your portfolio...could any of the construction projects you currently have underway benefit from a 504?

**Save the Date**  
**February 19, 2009**

**2009 Annual  
Lender Update &  
Cocktail Reception**



Preparations are being made for Growth Corp's Annual Lender Update & Cocktail Reception. Don't miss out on what promises to be an informative and lively event. This event is free, but requires an RSVP.

Don't wait...reserve your spot by emailing: [504update@growthcorp.com](mailto:504update@growthcorp.com) or call us at 877 – BEST 504.

Last year, over 300 people attended...We hope to see you there!

**John Barleycorn**  
**Schaumburg, Illinois**

## U.S. Chamber of Commerce urges Congress to consider legislation to stimulate economic activity and spur job growth.

In November, R. Bruce Josten, Chamber of Commerce Executive Vice President of Government Affairs, sent a letter to the members of the U.S. Congress with some short term recommendations aimed at stimulating legislation that would have an immediate impact on the economy. Those recommendations included issuing rebate checks, extending bonus depreciation, reducing corporate capital gains, and extending the reduced tax rate on dividends and capital gains. Of special note, Mr. Josten also recommended that Congress reduce borrower and lending fees for the 504 lending program, as well as the 7(a). By doing so, banks would have an incentive to lend money and it would make it more affordable for small businesses to borrow money.



**FACT...** President-Elect Barack Obama has named Karen Gordon Mills as his nominee for Administrator of the U.S. Small Business Administration.



**Small Business**  
GROWTH CORPORATION

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### Notes of Interest Winter 2009

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