



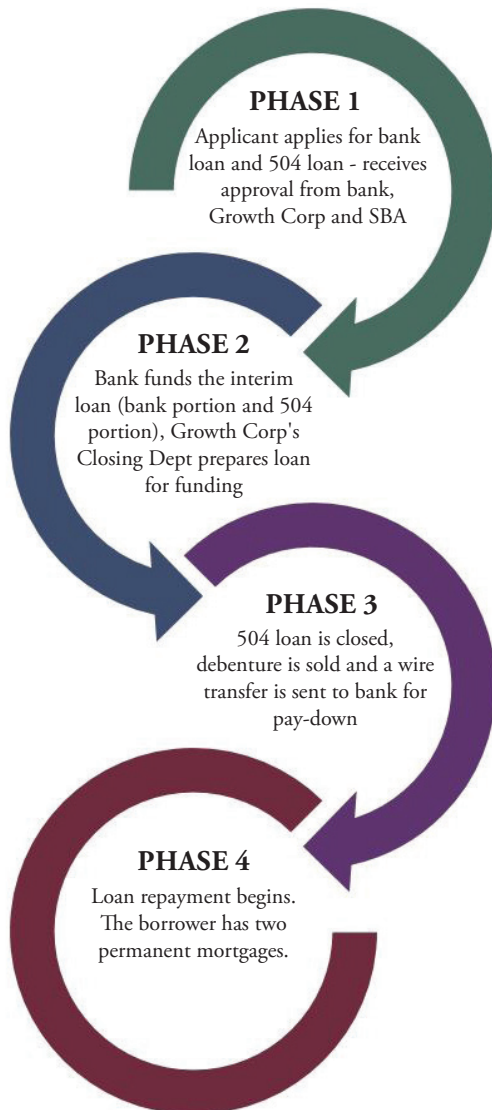
# LENDERS GUIDE

## SBA 504 LOAN PROGRAM

### Navigating the SBA 504 Loan Process

Whether this is your first experience with the SBA 504, or you've successfully completed numerous loans, we hope you find this document helpful in navigating the process. Our primary goal is to answer the question we hear so often, *"What is the lender's role in this process?"*

#### The 504 Loan Process



#### PHASE 1

##### Eligibility

The first step is to determine if your project is eligible for the 504 Loan Program. For a quick reference, use the four questions at right or contact Growth Corp directly.

##### Application

It is helpful to bring a Growth Corp Loan Officer in early for a joint meeting with your client to go over the 504 Loan Program, ensure eligibility and assist with the application process.

##### Approvals

1. Your bank approves the loan
2. Growth Corp approves the loan for submission to SBA
3. SBA approves the loan and issues a Loan Authorization

##### Will your project qualify?

If you answer "yes" to the following questions, your project will likely qualify for the 504 Loan Program:

1. Will the project finance fixed assets such as building construction, the purchase of an existing building and/or long-term equipment?
2. Is the business for-profit and located in the United States?
3. Does the business, including affiliates, have a tangible net worth of less than \$20 million and after-tax profits, averaged over the last two years, of less than \$6.5 million?
4. Will the business occupy at least 51% of the project property for existing buildings or 60% of the project property for new construction? Or, will the equipment be used for business operations?

#### APPLICATION CHECKLIST

##### Company Information

- ☐ Corporate tax returns for business and affiliates (3 yrs)
- ☐ Interim financial statements for business and affiliates (within 90 days)
- ☐ Schedule of debts
- ☐ Most recent aging of accounts receivable and payable
- ☐ Two-year projection of income and expenses with assumptions
- ☐ Franchise agreement (if applicable)

##### Owner Information

- ☐ Owner's personal financial statement
- ☐ Owner's last 3 years income tax returns
- ☐ Personal data sheet
- ☐ Copy of Driver's license

##### Other Information

- ☐ Detailed breakdown of costs
- ☐ Documentation of equity injection
- ☐ Articles of Incorporation, Bylaws and/or Operating Agreement
- ☐ Real estate appraisal
- ☐ Environmental Report
- ☐ Application deposit

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## PHASE 2

### Loan Authorization

Upon receiving approval from SBA, read through the entire Loan Authorization document, as it sets forth the terms and conditions under which SBA provided a guaranty on the loan. It also outlines servicing activities and loan compliance requirements for the term of the loan. You and your borrower will also receive the following invoices:

#### Third Party Lender Fee

SBA requires this one-time participating lender fee equal to 0.5% of the amount of the lender's permanent loan.

#### Commitment Fee

This fee is essentially a deposit: the commitment fee, along with the application deposit, will be used to pay for the closing costs, including, but not limited to, credit reports, title insurance, recording and search fees, Growth Corp legal fees, and all other out-of-pocket costs. Growth Corp will send a statement detailing the costs paid from these funds together with a refund of the balance, if any, after the loan is funded (Section III, Application Agreement). Please note: the loan will not proceed with closing until these fees are paid in full.

### Introduction to Closing

Shortly after receiving approval from SBA, expect a call from the Closing Officer assigned to your project. They'll introduce themselves, go over the time-lines and checklists and explain the closing/funding process.

#### Preliminary Closing Checklist

Your Closing Officer will provide a complete, project-specific checklist of items necessary for the closing of your loan. However, a few of the general items you can begin collecting in the meantime:

- ☐ Appraisal Completion Certificate
- ☐ Title Work
- ☐ Interim Note and Mortgage
- ☐ Organizational Documents
- ☐ Life Insurance Policy
- ☐ Settlement Statement
- ☐ Sworn Contractor's Statement
- ☐ Borrower's Equity Injection
- ☐ Equipment/Fixtures List and Cost Docs
- ☐ Occupancy Certificate
- ☐ Lease
- ☐ Financials
- ☐ Insurance Agent Contact Info

### Items to Collect Early in the Process

- ☐ Life Insurance
- ☐ Real Estate Appraisal - U.S. Small Business Administration and Growth Corp must be listed as intended users
- ☐ Environmental Report

#### Key Points for Lenders

- The bank provides the interim financing until the deed is recorded
- The bank's term of loan (commitment) must be 1/2 of Growth Corp's bond, but no less than seven years for equipment or ten years for real estate
  - » Usually a 10-year commitment on real estate
  - » Likely 5-year adjustment (but can be floating or fixed)
  - » Amortization is usually 20-25 years
- Bank gets first lien on all project assets
- Bank's loan cannot be cross collateralized with any existing debts
- Advance is up to 90% of the appraised value on real estate (10% variance)
- Economic life of the asset to be financed needs to meet or exceed the loan term
- Size Standards: business must have a tangible net worth of less than \$15 million and profits (after taxes) of less than \$5 million (including affiliates)

***The bank provides the interim financing until the deed is recorded.  
The bank's term must be 1/2 of Growth Corp's bond, but no less than 7 yrs.***

## PHASE 3

### Interest Rate

The interest rate on 504 loans is determined at the time the 504 debenture pool is sold to the private market and is based on current market conditions, which fluctuate. This typically happens six weeks after the project is complete. All SBA 504 loans are funded using the same market sale process, so interest rates in any given month are the same nationwide...regardless of CDC.

### Ongoing Fees

When the 504 loan is funded, the borrower will incur fees totaling approximately 2.65% of the 504 portion of the financing, and a fixed legal fee of \$2,500. However, these fees are included in the principal amount and financed over the term of the loan (i.e. they are NOT out-of-pocket expenses). SBA's loan fees are determined by SBA and are needed to cover the cost of administering the 504 Loan Program.

#### FY24 FEES

*A Breakdown of What to Expect and When*

	Upfront Out-of-Pocket Costs	Fees Included in the 504 Loan Amount	Fees Included with the Interest Rate
Application Deposit   \$1,000	•		
Commitment Fee   1% of 504 portion, \$2,500 minimum	•		
Fee to Bank   0.5% of the First Mortgage	•		
Legal Fee   \$2,500		•	
Processing Fee   1.5% of 504 Portion		•	
Guaranty Fee   0.00% of 504 portion		•	
Loan Service Agent Fee   0.25% of 504 portion		•	
Bond Underwriter Fee   0.4% of 504 portion		•	
CSA Fee   0.1%			•
SBA Subsidy Fee   0.364% (Refi: 0.389%)			•
CDC Fee   0.625% of 504 portion			•

## PHASE 4

### Payments on 504 Loans

At closing, documents are signed authorizing an automatic deduction of the loan payment from the borrower's bank account. This process is referred to as ACH debit. Wells Fargo Corporate Trust Services will make the deduction from the account on the first business day of every month. The payment date cannot be changed. Payment by ACH debit is required and is not optional. Monthly statements will not be sent and borrowers will instead refer to their amortization schedule.

### Annual Reporting Requirements

- Evidence of insurance: Hazard, Life, etc.
- Annual business tax returns and/or signed financial statements
- When the loan reaches its two year anniversary, Growth Corp will need current information on the number of employees (full-time, part-time and seasonal) at the borrower's company.