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## **SBA SECTION 504 ASSISTANCE AGREEMENT**

### **FEES WHICH WILL BE INCLUDED IN DEBENTURE AMOUNT:**

The 504-related fees and costs as illustrated in **Exhibit A: Debenture Pricing** (attached hereto) are added to the *Net Debenture Amount*. Once the fees are included in the amount borrowed, the total amount is referred to as the *Gross Debenture Amount*. These fees are included in the amount borrowed:

1. Debenture Funding Fee equal to 0.25%.
2. CRDC Processing Fee not to exceed 1.50%. \*
3. Debenture Underwriting Fee equal to 0.40%.

\*Temporarily Waived under the 2009 Recovery Act

The Debenture Funding Fee and CRDC Processing Fee are based on a percentage of the *Net Debenture Amount*. The Debenture Underwriting Fee is based on a percentage of the *Gross Debenture Amount*.

There is an additional 504-related fee called the Third Party Lender Fee, which is 0.50% of the senior loan amount. CRDC pays half of this fee (0.25%) in an effort to keep the borrower's fees down. \*

\*Temporarily Waived under the 2009 Recovery Act

Closing costs including CRDC's attorney's fees, title insurance premium for ALTA Lender's Policy, recording and filing fees incurred in connection with the documentation and sale of the debenture are the borrower's responsibility. These costs are paid by the borrower at the time of closing. However, up to \$2,500 can be included in the amount borrowed and rebated to the applicant after the debenture funds.

### **APPLICANT DEPOSIT:**

Upon SBA approval of a 504 Loan, the applicant shall be liable for a deposit of \$2,500 or 1% of the *net debenture amount*, whichever is less. The deposit will be applied toward the CRDC Processing Fee listed above. **This deposit will be invoiced upon SBA Approval and it will be rebated to the applicant after the debenture funds.** If the applicant withdraws the application after SBA approval and chooses not to close the 504 Loan or fails to comply with the SBA Regulations as set forth in the Authorization resulting in an inability to close the 504 Loan, CRDC may retain the deposit.

### **OTHER FEES/COSTS:**

Applicant shall be required to provide an opinion letter from counsel for the Borrower and each entity guaranteeing the 504 loan.

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**INTEREST RATE:**

The interest rate applicable to the amount borrowed is not determinable until the date the debenture is sold. Therefore, actual monthly payment amounts in connection with the debenture cannot be provided. Any discussion of interest rate and loan payment amount prior to the debenture sale are for demonstration only and do not constitute a quote or guaranty of the actual effective interest rate.

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**EFFECTIVE ANNUAL INTEREST RATE:**

Applicant shall pay CDC an annual servicing fee ranging from 0.625% – 1.50% of the unpaid principal balance of the Debenture (0.125% is paid to SBA), to pay for administration of the SBA Loan. The servicing fee shall be adjusted every five years based upon the amount of the unpaid principal balance. **It is included in the monthly loan payment made each month.**

Applicant shall pay the Central Servicing Agent (Colson) for its services. The fee is currently 0.10% per year of the outstanding principal balance of the Debenture adjusted every five years. **It is included in the monthly loan payment made each month.**

Applicant shall pay an ongoing guaranty fee as determined by the SBA (currently 0.00%). The fee is an annual percentage of the principal balance of the Debenture calculated at five year intervals and is paid for the term of the loan. **It is included in the monthly loan payment made each month.**

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**SBA 504 LOAN PREPAYMENT PENALTY & OPTIMUM TIME FOR PREPAYMENT:**

SBA 504 loans have a prepayment penalty schedule based upon the rate of the debenture. The prepayment penalty is 10 years for a 20-year loan and 5 years for a 10-year loan. The penalty in year one is the debenture rate and each year the penalty is reduced by 1/10<sup>th</sup> in the case of a 20-Year loan or 1/5<sup>th</sup> in the case of a 10-Year loan.

**For Example if the Debenture Rate is 7.00%:**

<b>20-Year Loan</b>		<b>10-Year Loan</b>	
Year	Penalty	Year	Penalty
1	7.00%	1	7.00%
2	6.30%	2	5.60%
3	5.60%	3	4.20%
4	4.90%	4	2.80%
5	4.20%	5	1.40%
6	3.50%		
7	2.80%		
8	2.10%		
9	1.40%		
10	0.70%		

The timing of prepayment is also critical because monthly payments accrue to make a semi-annual debenture payment to the investors who fund the loan. **You will be obligated to make**

**the monthly payments through the next semi-annual debenture date.** Consequently, if you prepay at a semi-annual date you don't have to pay additional interest.

A prepayment penalty schedule and semi-annual date information will be provided to each applicant after the debenture funds.

**OTHER REQUIREMENTS:**

**ACH:** Monthly payments are due on the 1<sup>st</sup> business day of the month. Payments must be made by electronic withdrawal from an account designated by the applicant. If funds are not available at the time the ACH is processed, the applicant is responsible for wiring the missed payment directly to the Servicing Agent.

**OCCUPANCY:** If an Eligible Passive Company owns the real estate it MUST lease 100% of the project property to the Operating Company for a term not less than the life of the SBA 504 loan. The annual rent paid by the operating company cannot exceed the amount of annual debt service, property taxes, and regular scheduled maintenance on the property.

When purchasing an existing facility the operating company must occupy at least 51% of the space. The remaining space may be subleased to unrelated parties with no restriction on term.

When constructing a new facility the operating company must occupy 60% of the space at the time of the 504 loan disbursement with plans to begin occupying additional space within 3 years and 80% within 10 years. Therefore, 20% of the leased space must have a term no greater than 3 years and the remaining 20% may be leased with no restriction on term.

504 project funds may not be used for tenant leasehold improvements.

**MATERIAL ADVERSE CHANGE:**

Applicant agrees to immediately notify CRDC in writing of any material adverse change in the applicant's financial condition. Applicant must supply to CRDC accurate financial statements, current within 120 days of 504 loan closing.

Applicant acknowledges that the CRDC Loan Officer who signed below reviewed each of the items listed within the agreement. Applicant also acknowledges that he/she has read and understands the SBA 504 Assistance Agreement including Exhibit A and is receiving a copy of this signed agreement for his/her records.

CRDC	Applicant: _____
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____