

Third Party Lender Process for SBA 504 Loans

THIRD PARTY LENDER PROCESS FOR SBA 504 LOANS

Certified Development Corporation of South Carolina (CDC) provides SBA 504 Loans for the financing of a real estate and/or equipment projects, while collaborating with a partner bank also known as the Third-Party Lender (TPL).

The purpose of the SBA 504 Loan Program is to help banks finance projects up to 90% with CDC/SBA providing take-out financing.

- » The TPL will hold the first lien on the project's collateral, with CDC/SBA taking a second lien.
- » CDC will review borrower application package and confirm eligibility, based on industry, affiliation, and size standard.

DOCUMENTATION REQUIRED FROM THIRD PARTY LENDER FOR SBA APPLICATION SUBMISSION

1. Bank Commitment or Term Letter
2. A "reason letter" on bank letterhead explaining why SBA financing is needed
3. Other pertinent documentation such as financial statements, tax returns, documentation supporting estimated and "eligible" project costs, etc.

THIRD PARTY LENDER INTERIM LOAN CLOSING

After SBA has approved the loan, the TPL should prepare for closing the Bank's Interim Loan. CDC recommends using CDC's attorney, to close the Interim Loan, which will allow for a smooth transition for closing the CDC/SBA 504 Debenture take out loan.

CDC can provide notice to the Attorney with the Borrower name and copy of the SBA Terms & Conditions and complete file.

DOCUMENTATION FOR VERIFICATION OF PROJECT COSTS AFTER INTERIM LOAN CLOSING

SBA requires CDC to verify all disbursements made by the Third-Party Lender during the funding of the Interim Loan. Project costs must be confirmed as "eligible" prior to the closing of the SBA 504 loan. CDC recommends the TPL sends copies of all disbursements to CDC's Closing Manager after each advance for review.

SBA 504 CLOSING REQUIREMENTS

The TPL and Borrower may request closing of the SBA 504 loan once the Interim Loan has been fully disbursed.

Prior to closing the SBA 504 loan, CDC is required to submit updated financial information to SBA confirming that the borrower and its owner(s) show no material adverse financial changes since SBA's original approval of the SBA 504 loan. CDC will request copies of current financials from borrower.

Also Needed:

- » CDC receipt of TPL Fee (1/2% of the TPL first mortgage loan amount).
- » TPL's wiring instructions for receipt of SBA loan proceeds.

POST-CLOSING

Once the SBA 504 loan is funded and reduces the TPL's Interim Loan, TPL agrees to the following:

- » At CDC's request, provide written confirmation that the SBA 504 loan proceeds were received, as well as supporting documentation showing the principal reduction has occurred.
- » Arrange satisfaction of any interim loan collateral documentation necessary to ensure CDC/SBA's second lien is perfected on all collateral for the loan.
- » Provide information on the first mortgage/lien at the request of CDC.

SERVICING

Once the SBA 504 loan is funded, loan servicing requests will be handled by CDC's SBA 504 Servicing Manager, including (but not limited to) the following:

- » ACH or Address Changes
- » Payoffs
- » Subordinations/TPL Refinance
- » Payment Deferral Requests
- » Verification of Business Insurance
- » General Portfolio Management

***A Full copy of the Third-Party Guidelines will be provided by CDC.*

CDC IS HERE TO HELP GUIDE THE PROCESS

If you have questions or need assistance, please reach out to one of our CDC team members.



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