



The SBA requires that the lending partner in a 504 loan provide a minimum of a terms sheet prior to submission of the application to the SBA.

TERMS SHEET / COMMITMENT LETTER

- This must be in our file before we submit the loan package to SBA for final approval.
- The commitment letter / terms sheet must state:
 - Amount of the Lender's permanent loan
 - Amount of the Lender's bridge loan (the amount that the 504 loan will pay off)
 - Interest rates for both loans
 - Amortization and term for both loans
 - Real estate (or mixed use projects) require a minimum of a 10 year term for the first trust loan
 - Equipment only projects require a minimum of a 7 year term for the first lien loan
 - Collateral for both loans
 - Credit Elsewhere Statement
 - For instance – "This loan is not within the Bank's loan policies due to 90% loan to value (or 20 year term). Therefore 504 financing through Business Finance Group is essential."
- SBA does not permit early call features on the Lender's permanent loan.
 - During the bridge or interim period, early call features are allowed.
 - Early call features include financial covenants. Financial covenants can be included as guidelines provided they do not trigger default.
 - A "material adverse change in financial condition" covenant is allowed and can trigger default.
- Cross-collateralization and Personal Guarantees
The Lender's permanent loan cannot be cross-collateralized with any other indebtedness. Additionally, personal guarantees must be note-specific to this loan and not for any bank indebtedness. These are SBA requirements.

SBA FEE

- The SBA charges a 0.5% fee to the Lending Partner based on the Lender's permanent loan amount.
- This is due at the 504 loan closing, and we will request a check payable to Colson Services Corporation.
- You may pass this fee on to the Borrower. Permanent loan fees are an out-of-pocket cost to the borrower but interim financing costs can be included in the financing package.