



504 Loan Policy and Application Process

September 6, 2017

SBA Fees effective October 1, 2017 per policy notice [5000-1954](#):

For 504 loans approved during FY18

The upfront guaranty fee for 504 borrowers will continue to be zero in FY18. The annual service fee is reduced to 0.642% (64.2 basis points) of the outstanding balance of the loan.

For 504 Debt Refinance loans approved during FY18

The upfront guaranty fee for 504 borrowers will continue to be zero in FY18. The annual service fee is reduced to 0.642% plus 0.04%, for a total of .682% (64.2 basis points plus 4 basis points) of the outstanding balance of the loan.

CDC Board requirements updated

§ 120.823 CDC Board of Directors

- Board members may serve on other Boards (but not another CDC Board)
- Loan Committee Members do not have to be Board members, but must be qualified

Updated rules for loans outside a CDC's Area of Operations.

§ 120.839 Case-by-case application *to make a 504 loan outside of a CDC's Area of Operations*

- SLPC's decision (with District Office input)

Updated "heavy-duty construction equipment"

§ 120.884 Ineligible Costs

- Equipment remaining useful life > 10 years

SLPC Average Transactions



SLPC Average Transaction Time for the Week Ending 08/26/2017

Average number of business days from receipt of request to emailing transaction decision to all CDCs

	504 Application			Environmental	Servicing
	Approvals	Declines	Screen Outs	Decisions	Decisions
	3.0	3.3	2.8	3.0	2.3
Number of Transactions	103	64	67	170	386

SLPC Weekly Activity*



750-1000	• Servicing transactions require updates to eTran
300	• INS Verification transactions
150-200	• Questions to SLPC Center Mailbox
175	• Questions to SLPC Call Center
100-150	• Check for prior default on government loans
100	• Questions to SLPC Servicing Mailbox
100	• Appraisal reviews
10	• 912 processing and notifications

*SLPC Average activity based on week ending 08/26/2017

Most common submission deficiencies in 504 applications:

- Lacking a clear purpose and description
- Personal credit needs to address all issues, even resolved ones
- Business credit should be ran on all involved entities, not just the OC/EPC
- Jobs created/retained- need to be supported by wages
- Objectives need to be supported by documentation
- Prior government financing (paid-off or canceled) must be discussed
- Affiliated entities (found on Schedule C, E and F) must be discussed
- Collateral and its value to be discussed and supported by the appraisal report (best to send with the application)

Deficiencies in credit analysis:

- Balance Sheet
 - Pro Forma to include project injection, all assets and debts
 - Explanation required for good and/or poor cash flow ratios
- P&L comments should explain all adjustments with valid reasons
- Projections to be reasonable and backed up with supporting explanation
- Personal Discretionary Income is needed for every principal

How to respond to a Screen Out or Decline

Send actual Screen Out along with a detailed response to each of the concerns

Include the Control Number on each page

Attach supporting documents

Send to SLPC via eTran

504 Eligibility Questions:

Sacramento504@sba.gov

Sacramento504CallCenter@sba.gov

Call Center: (916) 585-1811

504 Refi (without Expansion):

504RefiQuestions@sba.gov

Franchise Questions:

FranchiseFY2017@sba.gov

504 Refi (without Expansion) Resource:

<https://www.sba.gov/content/504-debt-refinancing-program>

Code of Federal Regulations (CFR): [CFR Title 13, Parts 120 and 121](#)

Standard Operating Procedures (SOP): [SOP 50 10 5 \(I\)](#)

SBA Lender Resources: <http://www.sba.gov/for-lenders>

SBA Forms, SOP, Notices, and Loan Packages:

<http://www.sba.gov/lender-documentation-tool>