



## 504 Loan Program

# Application Agreement

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### SMALL BUSINESS INVESTMENT ACT, SECTION 504 PROGRAM

This agreement, made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ between South Central Illinois Regional Planning and Development Commission, a Certified Development Company, hereafter referred to as SCIRPDC, and \_\_\_\_\_, hereafter referred to as the Applicant.

#### PART I: SCIRPDC SERVICES

At the request of the Applicant, SCIRPDC agrees to review the Applicant's proposed project and to prepare a preliminary loan analysis and a Section 504 debenture guarantee application to the U.S. Small Business Administration, hereafter referred to as SBA, including a complete set of forms, documents, and supporting exhibits. Applicant agrees to submit all information necessary and to provide reasonable assistance to SCIRPDC in the preparation of said package. As soon as the application package is complete and approved by the SCIRPDC Areawide Loan Review Committee and Board of Directors, SCIRPDC will submit the application to SBA together with its request for SBA to guarantee a debenture issued by SCIRPDC under the 504 Program. If approved by the SBA, the proceeds of debenture sale will be used to provide subordinated financing for the Applicant in accordance with the terms and conditions of the SBA Authorization for Debenture Guarantee. SCIRPDC cannot guarantee that it will be able to obtain SBA approval and no statement contained herein or elsewhere may be construed as a guarantee directly or by implication.

#### PART II: APPLICATION DEPOSIT

At the signing of, and accompanying this agreement, the Applicant agrees to make a deposit in the amount of \$1,000 payable to SCIRPDC. Applicant agrees that if the application is withdrawn or cannot be completed because of the failure to submit necessary information, the application deposit shall be deemed compensation to SCIRPDC for its services.

#### PART III: COMMITMENT FEE

If SBA approves the loan, an Authorization containing the terms and conditions of the loan will be issued. A commitment fee equal to 1% of the 504 loan amount (\$2,500 minimum) is due when the Applicant accepts the terms and conditions of the Authorization. If the Applicant completes the loan in accordance with the requirements of the Authorization, the commitment fee, together 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, SCIRPDC legal fees, and all other out-of-pocket costs. SCIRPDC will send a statement detailing the costs paid from these funds together with a refund of the balance after the loan is funded. Applicant agrees that, if the requirements of the Authorization are not met, preventing the loan from being completed, the application deposit and the commitment fee shall be deemed compensation to SCIRPDC for its services.

#### PART IV: 504 LOAN PROGRAM

The Applicant understands that, if approved, the loan contemplated by this agreement will be made under the provisions of the SBA 504 Debenture Guarantee Program. The 504 Program provides borrowers with a long-term, fixed-rate loan, not exceeding 40% of the eligible project costs plus costs associated with issuing the debenture. These costs, approximately 2.65 percent of the 504 portion of the financing, and a fixed legal fee of \$2,500, are included in the loan amount. A participating lender provides the interim financing and approximately 50 percent of the total project financing in the form of a loan with a minimum term of ten years for real property. SBA also requires a one-time, participating lender fee equal to 0.5 percent of the amount of the lender's permanent loan. This fee may be passed along to the borrower or paid by the lender. When the project is complete, the interim loan is fully disbursed and environmental and appraisal requirements met, the applicant will sign the loan documents and SCIRPDC will issue the debenture guaranteed by the SBA. All the debentures issued each month are sold as a group by SBA in the national bond market. It is this process which raises the funds for each 504 loan and determines the interest rate of the loan.

**PART V: INTEREST RATE AND FEES**

The interest rate on the 504 loan is determined by the competitive forces of the bond market when the debentures are sold and is fixed for the life of the loan. Monthly payments on the loan begin the first month following the debenture sale, and will be made via electronic funds transfer. In addition to principal and interest, monthly payments will include three servicing/guaranty fees: CSA at 0.1%, SBA subsidy at 0.9375% and CDC fee at 0.625% (maximum 1.5%) per annum, depending on the borrower’s industry and credit strength. The applicant is advised to consult with the SCIRPDC staff regarding the most recent interest rate and fee information. The Applicant agrees to pay all costs incurred in closing the loan, including, but not limited to, recording and search fees, title insurance costs, and closing attorney’s fees. The application deposit and the commitment fee explained earlier cover these costs.

**PART VI: MISCELLANEOUS CONDITIONS**

SCIRPDC is a public body and its activities are subject to the Open Meetings Act. General discussion about the loan amount, term, name of the applicant, planned use of funds and general opinion of the Areawide Loan Review Committee will be discussed in open session, along with a formal motion to approve or decline the loan request. However, the applicant’s and/or its principals’ proprietary personal and business information will be used by SCIRPDC, its Board, employees and agents to make credit and program decisions, and will not be divulged to anyone, other than participating lenders, guarantors and the SBA. The Applicant authorizes SCIRPDC to obtain credit information concerning the Applicant, individual owners of the business, and related companies and to identify our financing participation on the project property. Applicant specifically authorizes the participating lender to provide all personal and business information it may have to SCIRPDC including financial and credit information. Applicant is solely responsible for fulfilling SBA requirements regarding the environmental condition and appraised value of the real estate involved in the project. Failure to meet these requirements can delay or prevent the loan from being completed. The Program and loan descriptions, including statements regarding the amount and type of fees, are exclusively controlled by SBA and are subject to change without notice.

**IN WITNESS WHEREOF, SCIRPDC & THE APPLICANT HAVE EXECUTED THIS AGREEMENT:**

**SCIRPDC**

**APPLICANT**

\_\_\_\_\_  
by James Patrick  
Executive Director

\_\_\_\_\_  
\_\_\_\_\_  
title

**In accordance with Federal Law, South Central Illinois Regional Planning & Development Commission does not discriminate on the basis of race, color, national origin, age, disability, religion, sex, or familial status.**

**South Central Illinois Regional Planning & Development Commission does not discriminate in admission, access to, treatment or employment in programs or activities on the basis of a handicap in violation of section 504 of the Rehabilitation Act.**