

SBA 504 APPLICATION PROCESS & GUIDE



1. Contact Dakota Business Lending

As early in the process as possible



2. Preliminary Eligibility Review

See Common “Gotcha’s” below & page 2



3. Complete & Submit Application

See Application Tips below—timeframe dependent on borrower and lead lender



4. Processing & Underwriting

Timeframe dependent on loan volume, on average 2-4 weeks



5. Loan Review Committee & Submit to SBA



6. SBA Approval!

Timeframe dependent on loan volume, on average 2-4 weeks



7. Construction (if applicable)



8. Closing

After project is fully completed and closing checklist items (insurances, etc.) are provided



9. Funding & Rates

Approximately 2 months after closing



10. Congrats!

COMMON “GOTCHA’S”

- **Personal History**
 - Identify misdemeanor or felony violations early to allow for pre-approval time if required
- **Environmental Reports**
 - NAICS code match
 - Above or underground storage tanks
 - Surprises in historical use
 - Any of the above on neighboring properties
- **Franchise/Dealer/Supplier Agreements**
 - Identify any agreements prior to application
- **Expiring Documents**
 - Age of documents pertains to time of SBA submission
 - Business financials (120 days)
 - PFS, 1244 sections 2 & 3, and 4506T (90 days)
 - Refinanced loan payment history (30 days)
 - Appraisal & Environmental reports (1 year)
- **Do-It-Yourself Construction**—requires 1 DIY bid & 2 competitive bids & current contractor license

APPLICATION TIPS

- Complete the application as fully as possible
- Be sure to provide a COMPLETE list of possible affiliates with necessary supporting financials to avoid additional information requests
- Provide as much of the checklist information up-front as possible
- Be sure spouses sign the Form 413—Personal Financial Statement
- Use SBA/Dakota Business Lending as intended user on the appraisal
- Include well-written detailed assumptions & business plan when needed
- Complete cost documents that add up to the requested project amount as soon as possible
- Provide the original 1244 sections 2 & 3 forms to Dakota Business Lending
- Be sure that any 20% or more owners and required guarantors provide the necessary documents pertaining to individuals
 - Financial statements (tax returns & PFS), credit authorization, Driver’s License, and Management Profile

IMPORTANT REQUIREMENTS TO NOTE

Eligibility (select all that apply)

- Job Creation
- Public Policy Goal
- Circle all applicable: Woman-owned, Minority-owned or Veteran-owned business (51%+)
- Rural-based business
- Exporter
- Business locating / located in an economic enterprise zone
- Business re-structuring because of federally mandated policies or federal budget cutbacks
- Manufacturing
- Community Development

Real Estate Holding Company (if applicable) - can only lease to the operating company that is subject of this loan.

Occupancy (select one)

- 51%+ for existing real estate
- 60%+ initially for new construction with intent to occupy 80% within 10 years; can lease out 20% long term

Life Insurance - SBA requires an assignment of life insurance sufficient to cover the amount of the 504 loan. In limited cases, a written succession plan to prove business continuity may be approved in lieu of life insurance.

Buy/Sell Agreement - If there is more than one owner in the real estate holding &/or operating companies, DBL requires a buy/sell agreement between the partners identifying the terms under which a partner could leave the business and how the partner buyout transaction would happen. These terms are sometimes included in Operating or Member Control Agreements for the entity, if not, then a separate agreement is required.

Prepayments - there is a prepayment premium for the first 5 years of a 10 year loan or 10 years for a 20/25 year loan for the 504 program. This is a small percentage that reduces every year during the premium period.

Fees - While there are fees for the 504 loan, it is important to note that due to the below-market, fixed interest rate on the 504 portion of your project, the compounded interest rate savings over the life of the loan will more than cover the cost of the fees and generally save on interest expense over the term because of utilizing the 504 program.

Financed fees:

Processing/closing fee = \$2500

SBA underwriting, funding, processing fees = approx. 2.65% of 504 loan

***Borrower is responsible for paying 1% fees if loan is approved, but does not close*

Fee due at closing:

TPL Fee = 0.5% of Primary Lender loan

Hard costs — for processing the loan include credit reports, flood certification, search & recording costs, environmental assessments, title insurance costs, appraisal and may vary according to financial structure, industry and other factors. Borrower is responsible for these costs.

Title Insurance

- You may work with any title company that you choose, however, DBL will typically use ND Guaranty & Title as they are most familiar with SBA lending and our policy endorsement requirements.
- When placing your initial order with the title company, inform them that DBL is involved and that an additional title commitment is required. **SBA requires an extended ALTA policy with standard exceptions removed and water, mineral, location and removal of arbitration endorsements.**
- Provide estimated amount of the 504 to title company: calculate the 504 amount & add an add'l 10% to ensure proper 504 title coverage.

I have read & understand the items covered in this document.

Borrower _____

Date _____

Lender _____

Date _____