



U.S. Small Business
Administration

Role of District Counsel

504 Loan Program

- Loan Closings
- Complete File Reviews (CFR) and Quality Assurance Reviews (QAR)
- 327 Loan Actions
- Franchise 327 Actions
- Environmental Reviews (Mitigating Factors)
- Historic Property Reviews
- Collaborate with LRS team on SOP and regulations
- Assist in training CDCs



Closing Process Overview

Closings

- SBA issues annual 504 Funding Schedule.
- District Counsel determines deadline for closing package submissions to District Office.
- SBA District Counsel notifies CDC of submission deadline.
- CDC must notify SBA District Counsel of expected closings by e-mail
- CDC or CDC Counsel submits closing packages to District Counsel online using “*Sendthisfile*”.

Closings (continued)

- **Closing steps:**
 - Non-ALP CDCs submit a No Adverse Change opinion and supporting financials to SBA Loan Processing Center; ALP or PCLP CDCs retain opinions and supporting financials in CDC file.
 - Request SBA Loan Processing Center transfer file to District Office before sending closing file to District Office.
 - SBA District Counsel reviews the loan closing package for legal sufficiency and notifies CDC of any deficiencies.
 - CDC must correct deficiencies and send corrections to SBA counsel for approval before CSA cut-off date.

504 Streamlined Closing

Expedited Closing Packages

Priority CDCs using a designated closing attorney submit first 8 documents listed on SBA Form 2286 Closing Checklist.

Regular Closing Packages

Non-priority CDCs or CDCs using non-designated closing attorney submit all applicable documents from the 13 documents listed on SBA Form 2286 Closing Checklist.

Pulling a Loan From Sale

Any request by either a CDC or SBA District Counsel to pull a 504 Loan from a debenture sale must be sent by in writing to the Central Servicing Agent, Wells Fargo 504 CSA, by e-mail to ALL the following e-mail addresses:

SBA504CSA@wellsfargo.com

sba504funding@wellsfargo.com

Mark McCall Mark.McCall@wellsfargo.com

Matt Hoch Matt.Hoch@wellsfargo.com

Peter Janson peter.k.janson@wellsfargo.com

Justin Martin Justin.Martin2@wellsfargo.com

Rachel Price Rachel.Price@wellsfargo.com

With copies to:

Chris Urban christopher.j.urban@wellsfargo.com

Sonya Burks sonya.burks@sba.gov

Area Counsel

CDC and CDC Closing Counsel

Pulling a Loan From Sale (Cont'd)

The memo should identify the loan by name and number and include:

- a) A detailed description of the problem or situation triggering pulling the loan;
- b) To whom the documents and the Third Party Lender check (if applicable) should be sent. Please include mailing address rather than a PO Box since the CSA uses FedEx to deliver the documents; and
- c) The sale date.

A telephone call is not required but Wells would like for you to call either:

Christopher Urban	410-884-2339
Mark McCall	410-884-6479
Alex Snopko	443-367-2821

Pulling a loan from sale (cont'd)

Wells Fargo 504 CSA will confirm via e-mail and telephone call to the CDC and SBA District Counsel that the 504 Loan was successfully pulled, and Wells Fargo 504 CSA will return the documents to the CDC.

The deadline to request that a 504 Loan be pulled from a pool is the close of the business on the date designated on the current 504 Debenture Funding Schedule (typically 11 days prior to the Debenture Pricing Date).



Closing Documents

SBA Forms

- All documents on the Closing Checklist (Form 2286) which have an SBA Form Number are mandatory use forms.
- Use current Form
- All required documents are accessible online. Search for forms by number at:
<https://www.sba.gov/partners/lenders/cdc504-loan-program>

Execution of Documents

- Deeds of Trust, Mortgages, Security Agreements, Guarantees, Servicing Agent Agreement cannot predate the Note.
- If document refers to Note date, insert correct date.
- Insert SBA “Federal Law” language in all lien documents. See Authorization for exact language.
- Proofread documents – correct names and spellings.
- Use entity’s legal name –dba is not the legal name.

Execution of Documents

Signatures

Ensure people are signing in their proper capacities:

If a corporation is the borrower:

XYZ Corporation

*By: _____
President*

*If John Smith is an individual guarantor,
do **not** allow:*

*_____
John Smith, **President***



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Expedited Closing Package

Documents 1-8

Submitted by Priority CDC using Designated Counsel

1. CDC Board Resolution

Form 1528

- Insert correct Borrower(s) name as “Small Business Borrower.”
- If EPC/Borrower and OC/Co-Borrower, insert both names as small business borrower.
- If EPC/Borrower and OC/Guarantor, insert: “Name” (EPC/Borrower) for benefit of “Name” (OC/Guarantor).
- Debenture amount entered must be equal to or greater than final amount on Authorization (as amended).

2. Note Form 1505

- Note date cannot pre-date the Authorization.
- Use legal names of Borrower(s) and OC(s).
Do not include DBAs.
- * _____ are left blank at signing (interest rate, payment amounts).
- Paragraph 13 – Insert State-Specific Provisions from Authorization, or, if none, insert N/A.
- Borrower's 1st payment is 1st of month immediately following funding.
- Maturity is 1st of funding month, 10 (generally for equipment) and 20 or 25 years (generally for real estate and/or construction) later.

3. **504 Debenture** Form 1504

- Only CDC signs this document.
- Interest rate and payment amounts are blank at signing.
- “Small Business Concern” is Borrower, or if EPC/OC transaction:
 - Co-Borrowers - list both names.
 - Borrower and OC Guarantor – list Borrower name for benefit of OC name.
- Semi-annual payment dates – month of funding and 6 months thereafter (Jan/July; Feb/Aug; Sept/March).
- First payment – six months after funding.

4. Servicing Agent Agreement Form 1506

- Cannot pre-date Note.
- All Borrowers and OCs must sign.
- Use of Project Proceeds and Source of Funds must match final Authorization.
- If amounts or percentages changed, CDC must request modification to Authorization to show final amounts.
- If Borrower contribution was not borrowed, mark N/A. If borrowed, lien on project Property must be subordinate and may not be repaid faster than 504 loan (Pg.2, Sec.2.b).
- Debenture and Note interest rates and payment amounts blank at signing (Pg.3,Section 3).

5. CDC Certification

Form 2101

- CDC must use SBA Standard Form.
- Date of Certification must not be more than 60 days prior to proposed Debenture funding.
- This single standard form incorporates required existing CDC certifications from authorization as well as added representations and warranties.
- Each certification is a *reminder* of closing requirements. **Did CDC complete those items?**

6. Opinion of CDC Counsel

- Appendix D to the 504 Authorization Boilerplate.
- Includes paragraphs opining on Borrower and OC organization, authority to execute documents, and validity and enforceability of documents signed by Borrower and OC.
- Review carefully to ensure standard language not changed and loan information is correct (number of 327s, project property address, etc)
- Must be signed by CDC Counsel.

7. Evidence of Lien Priority Project Property

Title Commitment/Policy Requirements

- Must submit a marked title commitment. (Pro-forma policies are not acceptable.)
- Name insured as: “CDC and SBA, as their interests may appear, their successors and assigns.”
- Commitment must have specific date, not “date of recording.”
- No exception for, or provide coverage over, mechanics lien.
- No exception for tenants; all leases must be subordinated.
- Need endorsement removing any arbitration clause which is either mandatory or allows choice by either party.

Evidence of Lien Priority

Project Property

UCC Financing Statements

- Must include a copy of the filed UCC Financing Statement.
- Must include a copy of the Completed UCC lien search or letter from attorney completing the search revealing SBA is in lien position required (subject to payoff of the interim financing).
- Debtor's (borrower or operating company) exact legal name is imperative.
- The collateral description must match that of the Loan Authorization and Security Agreement, including a list of property valued at \$5000 or more.

Pointer: Enter reminder to continue UCC financing statement.

8. Construction Documents

- Certificate of occupancy
- Evidence of compliance with Seismic standards for new construction/addition
 - Licensed building architect or construction engineer certificate.
 - State or government agency letter stating that occupancy permit is required and local building standards include Seismic standards.
- Notice of Completion filed with county recorder



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***Regular Closing
Package
Additional Document
Nos. 9-13***

For regular CDCs –in addition to the documents listed above

9. Unconditional Guarantee

Form 148 or 148L

Applicable to Both Forms

- Use separate guarantee form for each guarantor.
- **Cannot pre-date the Note.**
- Use proper form. Don't use 148L Unconditional Limited Guarantee, for an Unconditional Guarantee.
- Be sure that individual guarantors sign in individual capacity.
- Use legal names; do not use DBAs.
- Insert State-Specific Provisions, or, if none, insert "None." State specific provisions correlate to Guarantor's state of individual residence or company formation.

10. Lien Instrument Project Property

Real Property

- The form must contain a due-on-sale clause.
- The Mortgage or Deed of Trust should be a state-bar approved form or other form approved by field counsel reviewing CDC's loans.
- Must include the Federal Law Language required by the Authorization (applicable law when SBA holds the Note).

11. Assignment of Lien Instrument

Assignment from CDC to SBA must be filed as a separate recorded document.

12. Security Agreement and UCC's Project Property

- Description on Security Agreement and UCCs must match the Authorization and include a list of personal property securing the loan, including description and serial number for items with a unit value of \$5,000 or more.
- Must be assigned by CDC to SBA.

U. S. Small Business Administration

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