



The U.S. Small Business Administration (SBA) 504 Loan Program

APPLICATION

"The number one source in America for small business owners looking to purchase commercial real estate and equipment with a small down payment and a low, fixed interest rate."

"The money that makes America work."

Preferred Lending Partners, a 20-year old Colorado based company and part of the Denver Urban Economic Development Corporation, is a Certified Development Company, sanctioned by the SBA to service the 504 loan program throughout Colorado.

Preferred Lending Partners processes, approves, closes and services the loans. Funding is arranged by Preferred Lending Partners issuing a bond, and in all ways, Preferred Lending Partners is the direct lender for the SBA 504 loan program.

Benefits of the SBA 504 Loan Program:

Low down payment. Just 10%-20%**. Lets you preserve your cash for your working capital. Most conventional loans will make you sink 30-40% into the project in the form of a down payment, whereas the 504 program can get you into your own building with as little as 10% down.

Long term. SBA 504 loans are for 10 or 20 years. Longer terms make your monthly payments lower.

Low interest rate. Very low interest rate on Preferred Lending Partner's portion. The blended rate between the bank portion and Preferred Lending Partner's 504 portion makes the project affordable for you.

Fixed rate on the SBA 504 portion. You don't have to worry about your rate going up. Your low interest rate is fixed for the life of the loan – 20 years! This helps control costs and manage cash flow.

Denver Urban Economic Development Corporation dba Preferred Lending Partners
140 E. 19th Ave, Suite 202
Denver, CO 80203
303-861-4100 (office)
303-861-9456 (fax)

Dear Borrower,

By filling out this application, you are applying for the best loan program in America for small businesses looking to acquire their own property. With the low down payment and fixed interest rate, it is clearly a one of a kind opportunity.

Preferred Lending Partners has been processing loans for Colorado small businesses since 1985, but we are not a transaction-based business. We are in the business of helping people, and it starts by thoroughly explaining the 504 program and its benefits, helping you through the application process, meeting you and learning about your business, advising through the closing process, and ultimately, servicing your loan for 20 years. This will truly become a long-term relationship. Therefore, listed below are the employees of Preferred Lending Partners, who are SBA lending experts in their respective fields. Each can answer any questions or concerns for you during the process:

Stephanie Gerringer - Executive Director - Preferred Lending Partners

Stephanie can help throughout the entire process, from application to closing. She has been an SBA lender in Colorado for over 11 years, and has great advice on every aspect of business lending. She also sits on the National Association of Development Companies (NADCO) Board of Directors, which puts her on the front line regarding all advocacies for small business owners and the SBA 504 Program.

Contact her any time directly on her cell at [303-995-1623](tel:303-995-1623).

Laura Farley – Credit Analyst - Preferred Lending Partners

Laura will work with you during the credit analysis portion of your loan request. She will ensure your project is eligible for 504 financing, and advise the small business owner on credit related issues.

Megan Melich – SBA Loan Specialist - Preferred Lending Partners

Once Preferred Lending Partner's internal loan committee approves your loan, Megan will begin collecting the final documents needed to obtain final SBA Authorization.

Barbara Valdez – Loan Closer – Lender's Professional Services

Barbara is an SBA 504 loan-closing expert, and will walk you and your bank through the closing process to ensure a timely funding.

Melanie Rowen – Portfolio Manager - Preferred Lending Partners

Once your loan closes and funds, Melanie will work with you and your business on all servicing related matters for the life of your loan.

John Goldschmidt- Operations Coordinator- Preferred Lending Partners

John will help answer all your questions and get you connected to the right department through out the entire loan process.

Nel Montoya- Executive Administrative assistant -Preferred Lending Partners

Nel will help field all of your phone calls and answer any questions.

All of us are more than willing to come and visit you, see your business in person, answer any questions or concerns, and help you fill out the enclosed application.

Please call [303-861-4100](tel:303-861-4100) and ask for anyone mentioned above.

Need more information?

www.preferredlendingpartners.com

www.sba.gov

SO HOW DOES IT WORK?

True or False – SBA 504 loans require significant paperwork?

FALSE – the SBA 504 loan program requires the collection of only one more form than a conventional loan requires.

True or False – SBA loans take FOREVER!

FALSE – Since Preferred Lending Partners is in SBA's exclusive Expedited Loan Processing Program, we can have your loan approved internally within 5 business days of receiving a complete package, and receive formal SBA Approval within **10-15 business days** of receiving a complete package.

What can the 504 Program help me finance?

- ✓ Land
- ✓ Purchase of an Existing Building
- ✓ Renovations and Ground-up Construction
- ✓ Heavy Equipment (Useful Life of 10-years)
- ✓ Soft costs associated with project, including appraisal, environmental, architect, closings costs, and bank fees.

Note: Real Estate MUST BE owner-occupied, we cannot finance investment property.

So how do I get the loan?

Every SBA 504 loan requires the participation of a lending institution, most likely a bank. If you do not have a bank lined up, let us know and we can help put you in touch with some of Colorado's best lenders.

The bank will participate with Preferred Lending Partners, and the bank will lend 50% of the total project. Preferred Lending Partners will lend 40% of the project, and the borrower will be required to put 10%** down in the form of equity at the time of closing.

Ultimately, you will have 2 loans, one from the bank, and one from Preferred Lending Partners.

****Please Note:** Equity of 15-20% is required for start-ups and businesses with irregular profitability, lack of historical debt service ability, a short track record or for single purpose properties.

What are the costs associated with the program?

All of the costs on Preferred Lending Partner's portion are set by Congress and rolled into your loan, so you do not have to pay them out of pocket. They are approximately 2.75% of Preferred Lending Partner's loan amount.

Borrower is responsible for the direct expenses and third party costs including but not limited to title and recording costs associated with the SBA 504 loan.

The bank will also have their closing costs and origination fees, which can also be rolled into the total financed package, or paid for out of pocket.

Prepayment

There is a 10-year prepayment penalty on Preferred Lending Partner's loan. However, the loan is **100% assumable**, so if you are ready to move again within the first 10-years and want to sell the building you can have the buyer assume our note. It will most likely be a selling point for you, because who wouldn't want to assume a low, fixed-interest rate loan?

BUSINESS OWNERSHIP

This section of the application tells Preferred Lending Partners who will own the real estate, who owns the subject business, and each owner's title and percentage of ownership. This page is important and the information provided must be correct, as the answers given will ultimately populate several documents you will sign in order to get final SBA approval.

NOTE: Each owner that has **20%** or more ownership in either entity must personally guarantee the SBA's note.

Real Estate Holding Company

Typically, small business owners set up a separate company to take title to the real estate. Most small businesses use an LLC for this entity. This entity will be our borrowing entity, and the loan will be made out to this business. There could be **liability and tax advantages** to setting up a separate company to take title, and we strongly suggest you speak with your CPA and/or Attorney to discover the full benefits of structuring the project this way.

Name of Real Estate Holding Company: _____
For example: 1234 Mesa Drive, LLC

Who are the Individual Owners of the Real Estate Holding Company?

Note: If the owners are taking title personally, and NOT forming a separate real estate holding company, then just put the names of the borrowers with no titles or % ownership. If a separate entity has been formed, we will need the owners' exact titles and % ownerships. Titles for a Colorado Sub Chapter S-Corp (Inc.) can only be President, Vice President, Secretary, and Treasurer. Titles for a Limited Liability Corporation (LLC) can only be Manager or Member.

<u>Name</u>	<u>Title</u>	<u>% Ownership</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Operating Company (Small Business Concern)

This is the business that will occupy the real estate, and this is the business that generates the income that will repay the SBA 504 loan. This can be an existing business, or a start-up business. This is also the business that we will analyze from a credit point of view to ensure adequate repayment ability.

Name of the Operating Company: _____
For example: ACME Widgets, Inc.

Who are the Individual Owners of the Operating Company?

Remember, titles for a Colorado Sub Chapter S-Corp (Inc.) can only be President, Vice President, Secretary, and Treasurer. Titles for a Limited Liability Corporation (LLC) can only be Manager or Member.

<u>Name</u>	<u>Title</u>	<u>% Ownership</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

BUSINESS QUESTIONS

Operating Company Name: _____
Mailing Address: _____
City: _____, State: _____; Zip: _____
Primary Contact: _____
Telephone: _____; Fax: _____
Email: _____

Questions: Mark Yes/No Answers with an "X"

- 1) Is this a franchise? Yes _____; No _____
Name of Franchise: _____
- 2) Do you export? Yes _____; No _____
- 3) Does this business have or has it ever had an SBA 504 or 7(a) loan?
Yes _____; Loan Balance \$ _____; No _____
- 4) How many employees does your company currently have? _____
- 5) How many jobs will the business create over the next two years once the project is complete? _____.
- 6) Do you plan on leasing any portion of the building to any business other than your operating company? Yes _____; No _____. (Note - the operating company must occupy 51% of the rentable square footage, or 60% if the project includes ground-up construction).

To help expedite the process, please provide the following information:

Accountant Name: _____ Company: _____
Phone: _____
Real Estate Agent Name: _____ Company: _____
Phone: _____
Banker: Name: _____ Company: _____
Phone: _____

I, _____, give Preferred Lending Partners the right to contact the above-mentioned to help expedite the SBA 504 loan process.

BUSINESS DOCUMENTS TO BE COLLECTED

- Three years Operating Company Tax Returns (if applicable). If last year tax returns have been extended, we will need a copy of the extension.
- Interim financial statements no older than 60 days from date of application (today). These MUST include a profit and loss statement, a matching balance sheet, and accounts aging/payables (if available).
- If this request will be for a start-up business, the core of your request will be your business plan. For an excellent resource on advice regarding business plans, try www.sba.gov. We can also put you in the hands of professionals in the Colorado community that specialize in helping businesses write their business plan. If you an existing business, it is always good to provide us with projections and a brief description of your business. This is not required, but can help expedite the process.
- In order to figure out how much you are asking us to lend, we must obtain a list of the project costs, which will include the following: Purchase contract, construction/remodeling bids (if applicable), and a list of all equipment to be purchased (if applicable).
- A list of the current long-term debts the Operating Company has, including loan balances, and monthly payments (if applicable).

TO BE COLLECTED FROM EACH PERSONAL GUARANTOR

As mentioned in the previous page, any owner of either the real estate holding company, or the operating company, that has 20% or more ownership, must personally guarantee the SBA's portion of the loan. Consequently, we will need to gather documents from those owners that will be personal guarantors. Below is a list of items needed to complete the loan request from each 20% or greater owner:

- Three years personal tax returns. If last year tax returns have been extended, we will need a copy of the extension.
- A personal financial statement. If the borrowers are husband and wife, we do not need two separate personal financial statements, just one per each married couple. This form is attached in this application.
- Personal History Statement – This is the only form that differs from a conventional loan application. This will need to be filled out by each guarantor, plus any other officers, directors, and managers of the Operating Company. This form is attached in the application.
- A big part of your loan approval will be based upon Management Experience. A basic resume detailing each owners direct industry experience is helpful, although not necessarily required.
- If you have 20% or more ownership in any other business besides the operating company or the real estate holding company, than this business will be considered an affiliate, and we will have to collect 2 years of tax returns (if applicable), and interim financial statements on that business.
- Please explain, in a detailed memo or in the space below, the source of the required equity down payment of 10%-20% of the total project costs. Examples include, but are not limited to, personal savings, working capital accounts of the business, land, Home Equity Lines of Credit, borrowed funds, outside investor, etc. If it is borrowed, please describe the financing in detail. If you are a guarantor, but not responsible for the down payment, please put N/A.

Source of Equity Down Payment (please describe below).

TO BE ANSWERED BY EACH PERSONAL GUARANTOR

GUARANTOR'S NAME: _____

- 1) Have you or your business ever been in bankruptcy or insolvency proceedings? If so, please provide details.
- 2) Are you or your business involved in any pending lawsuits? If so, please give details.
- 3) Are you presently a guarantor on an SBA loan? If so, who is the lender, and are your payments current?
- 4) Are you more than 60 days delinquent under the terms of any (a) administrative order, (b) court order, or (c) repayment agreement that requires payment of child support? If so, please provide details.
- 5) Please answer the following:
 - a. US Citizen? Yes _____; No _____
 - b. Minority? Yes (please choose below) _____; No _____.
 - i. Black American.
 - ii. Hispanic American.
 - iii. Native American (American Indians, Eskimos, Aleuts, or Native Hawaiians).
 - iv. Asian Pacific Americans (persons with origins from Burma, Thailand, Malaysia, Indonesia, Singapore, Brunei, Japan, China (including Hong Kong), Taiwan, Laos, Cambodia (Kampuchea), Vietnam, Korea, The Philippines, U.S. Trust Territory of the Pacific Islands (Republic of Palau), Republic of the Marshall Islands, Federated States of Micronesia, the Commonwealth of the Northern Mariana Islands, Guam, Samoa, Macao, Fiji, Tonga, Kiribati, Tuvalu, or Nauru).
 - v. Subcontinent Asian Americans (persons with origins from India, Pakistan, Bangladesh, Sri Lanka, Bhutan, the Maldives Islands or Nepal).
 - c. Veteran? Please include branch, years served, and rank achieved.
 - d. Have you ever had a government loan? Yes (choose below) _____, No _____.
 - i. SBA
 - ii. Student Loan
 - iii. FHA/VA Home Loan
 - iv. Other

APPLICATION AND DEPOSIT

Dear Sir or Madam:

The undersigned hereby makes application through Preferred Lending Partners for an SBA 504 loan. Enclosed herewith is an application deposit of \$1,000.00 to be held by Preferred Lending Partners. It is expressly understood and agreed that in the event the loan applied for is turned down by Preferred Lending Partners or SBA, the entire deposit will be refunded, in full, within ten days of the date of denial. In the event said loan is approved, the entire deposit will become nonrefundable, however it will be credited towards the closing fees at the time the loan is funded. If applicant(s) decides to withdraw their application prior to approval, Preferred Lending Partners is authorized to deduct from the deposit its out of pocket and administrative expenses incurred in the packaging and processing of said loan application. Preferred Lending Partners can invoice for additional fees if said loan administration fees are above the deposit amount. Preferred Lending Partners shall refund any remaining balance of the deposit to applicant(s). If said loan is approved and the applicant(s) decides to withdraw prior to closing, all deposits will become nonrefundable. It is also expressly understood and agreed that a 1% or \$2,500 (whichever is greater, with a maximum of \$7,000) Commitment Deposit will be due to Preferred Lending Partners upon SBA approval of said loan request. This entire Commitment Deposit will be credited towards the closing costs on the SBA loan. This credit will be allocated to closing costs and/or other 1st Lender fees associated with your loan at the time the SBA loan is funded.

You are hereby certifying that the information provided in the application and other supporting documentation is true and correct to the best of your knowledge.

You are hereby authorizing Preferred Lending Partners the ability to investigate your credit bureau report.

You are hereby authorizing the title company to do their due diligence in the preparation of the disbursement of funds for the SBA loan.

It is understood that Preferred Lending Partners will not share the operating company's financial information or the personal financial information of any applicant with other third parties without the explicit written consent of the applicants.

The applicant will indemnify and hold Preferred Lending Partners and/or its agents harmless from any and all loss or injury, including reasonable attorney fees, resulting or arising from failure by the applicant to receive such loan, and/or any loss or liability to applicants or the business of the applicant. All parties agree that there are no other promises, terms, or agreements (oral or written) between Preferred Lending Partners and the undersigned, and that the SBA 504 program's rules and fees are subject to change at any time.

APPLICANT'S SIGNATURES

NAME

DATE

NOTES:

