



U.S. Small Business Administration (SBA) 504 Loan Assumption Application

Preferred Lending Partners, a 25-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 SBA 504 Loans. Preferred Lending Partners is the direct lender for the SBA 504 loan program.

Benefits of Assuming a SBA 504 Loan:

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.

** The amount of cash down will be derived off the sale price of the building less the amount outstanding on the 1st Mortgage plus eligible new loan origination costs.

Long term. SBA 504 loans are for a total term of 10 or 20 years(10 if it is equipment only you are assuming, 20 if it is real estate only or real estate and equipment). Longer terms make your monthly payments lower and give you predictable manageable cash flow.

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 original 20 year term. This helps control costs and manages cash flow.

So how do I get started?

Every SBA 504 loan requires the participation of a lending institution, most likely a bank. As the assumptor of an original SBA loan, you have two options.

The first option is assuming both the First Lender's Note along with the SBA's Second. *Some 1st Mortgage loans are assumable, some are not, it depends on the lender. This would keep both Notes exactly as they were when they were first set forth at the time of the original funding.

The second option is getting a new First Lender involved to pay off the original First Mortgage Holder on the loan. However, the new loan would still be subject to the original amount of the First Mortgage issued on the property when the loan was first originated plus some eligible soft loan costs.

What are the costs associated with the program?

There is a 1% Assumption Fee and closing costs. The Assumption fee is 1% of the remaining SBA Balance at the time the loan is assumed.

The new Borrower is also responsible for the direct expenses and third party costs including but not limited to legal fees, title and recording costs associated with closing and finalizing the assumed loan.

Prepayment

There is a 10-year total prepayment penalty on all SBA 504 loans. Depending on how seasoned the loan is, it will determine how many years are remaining in that prepayment penalty. Essentially, you are picking up the loan exactly where it left off.

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 all 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. 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 there going to be a new business or are you going to take over current operations?

If there is a new business is it a franchise? Yes _____; No _____
Name of Franchise: _____
- 3) If there is a new business, what type of business is it? _____

- 2) If you are taking over current operations, what are you going to do to improve the profitability of the business (if old business)?

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

Broker: Name: _____ Company: _____
Phone: _____ Email: _____
Banker: Name: _____ Company: _____
Phone: _____ Email: _____

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

- Two 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).
- Projections and a brief description of your business and/or a copy of your business plan.
- Purchase contract
- Statements of current loan balances outstanding on the property.

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:

- Two years personal tax returns. If last year tax returns have been extended, we will need a copy of the extension.
- A personal financial statement (Form 413) - 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 (Form 912) – 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.
- Management Experience, a basic resume.
- Please explain, in a detailed memo or in the space below, the source of the required down payment, if the purchase price is greater than the two loans (First Mortgage and SBA) outstanding on the property. 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) Are you a U.S. Citizen? Yes _____; No _____

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 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 Partner 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 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).

Please Note: The deposits collected by Preferred Lending Partners do not ensure that additional funds will not be required at the time of SBA funding.

You will receive an invoice for the application deposit before your loan is submitted to SBA. You will also receive an invoice for the 1% assumption fee once your loan is approved by SBA and the loan has been transferred to our Closing Department.

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(s).

The applicant(s) 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(s) to receive such loan, and/or any loss or liability to applicant(s) or the business of the applicant(s). 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

DATE

ADDITIONAL NOTES: