

NORTH TEXAS CERTIFIED DEVELOPMENT CORPORATION

504 LOAN SERVICING BASICS

NTCDC will service your 504 loan on behalf of the SBA. Within 7 business days after funding you will be notified of the amount of your loan payment and effective interest rate. Within 14 business days after funding, a package with your loan documents will be sent to you. Included in this package will be your SBA 504 Note, Amortization Schedule, Prepayment Premium Schedule, Servicing Agent Agreement and Borrower Certification. Additional closing documents are available upon request.

Loan Payments

Loan payments will be drafted from the bank account you designated when your 504 loan closed on the first business day of each month, beginning the next month after funding, by Colson Services Corporation. If your payment is rejected you will be notified and arrangements made for the payment to be wired to Colson. To avoid late fees the payment must be posted by Colson by the 15th of the month.

Reporting Requirements

Insurance

Proof of property insurance coverage on all collateral and payment of taxes are collected and monitored by NTCDC. Please submit these annually to North Texas Certified Development Corporation, 600 N. Central Expressway, Suite 600A, Plano, TX 75074; Attention Servicing Department.

Employees

The 504 program is an economic development tool with employee retention and creation being one of the primary measures of success of the program. Therefore, you will be requested to update NTCDC on the number of employees your business has on an annual basis.

Annual Financial Statements

NTCDC will collect current annual business financial statements and tax returns from the operating company and holding company if different. Personal financial statements and tax returns from all 20% or more owners and guarantors will also be collected.

Annual Interest Paid

The amortization schedule provided in the funding package will provide the amounts allocated in each payment for interest and fees as long as the loan payments are current. You may also contact NTCDC by January 31 to request the amount of interest paid in the previous year and your outstanding 504 loan balance.

Change Designated Bank Account for ACH

Contact our servicing department prior to the next payment due date. Instructions will be provided.

Change Contact Information or Mailing Address

If the person we should be in contact with, any phone numbers or email addresses, or mailing address change please contact our servicing department as soon as possible.

Ownership Changes

Any change of ownership in the small business of more than 5% should be reported to the NTCDC servicing department.

Loan Servicing FAQs

What if my business has financial difficulties and I foresee problems making loan payments?

NTCDC has seen proven business owners, some with decades of management experience, struggle with cash flow due to economic conditions. If your company is facing this situation you are not alone. NTCDC has worked diligently with our borrowers on mutually beneficial solutions to their repayment challenges.

Borrowers who have trouble meeting their debt obligations for their SBA 504 loan should contact our servicing department and their lender as early as possible to discuss the situation and options that may be available to assist them. Our experience has found that keeping communication channels open yields the best results for the borrower and the lender.

Can I refinance my first trust deed loan without pre-paying my SBA loan?

Yes, you should notify NTCDC to request SBA's subordination to a new lender and allow at least 3 weeks for processing and approval. A commitment letter from the new lender is required to accompany NTCDC's request to SBA.

Can I pay off my 504 loan early?

A 504 loan can be prepaid in full at any time, however, if prepaid during the first half of the loan term a prepayment penalty is incurred. An estimate of the prepayment penalty is one year's interest during the first year, 90% of one year's interest during the second year, 80% of one year's interest during the third year, with the percentage continuing to decline each year. In addition your loan has two semi-annual payment dates to the investor and your prepayment will be minimized by prepaying near one of the dates.

A 504 loan cannot be partially prepaid.

Is my 504 loan assumable?

If you are selling the building, a qualified buyer can assume your loan for a 1% assumption fee. The pre-payment penalty does not apply in this instance.