



## APPLICATION DEPOSIT AGREEMENT

Regional Development Company  
[www.rdc504.org](http://www.rdc504.org)  
(219) 476-0504  
(708) 960-3177

The undersigned Small Business Applicant ("Applicant") has applied or will be applying for a U.S. Small Business Administration ("SBA") 504 Loan. The Regional Development Company ("RDC") is a non-profit corporation and has been certified by the SBA as a Certified Development Company ("CDC") charged with, among other things, processing 504 loan applications.

The Regional Development Company agrees to process the Applicant's application for financing through the SBA 504 Loan Program. By submitting the 504 Loan Package to the SBA, Regional Development Company will request the SBA to guarantee a debenture. If approved, the proceeds of the debenture sale will be used to provide subordination mortgage financing for Applicant in accordance with the terms and conditions of the SBA Authorization and Debenture Guarantee. The Regional Development Company cannot and does not guarantee that it will be able to assist Applicant in obtaining financing.

As the partner CDC associated with processing, approving and funding a 504 loan, Regional Development Company will facilitate the sale of a debenture, an obligation issued by the Regional Development Company and guaranteed 100% by the SBA, the proceeds of which are used to fund the 504 Loan. Regional Development Company will issue a debenture not to exceed 40% of the SBA eligible project costs. The funding of the 504 debenture and disbursement of the proceeds to the Applicant is subject to United States Small Business Administration approval of the Application and is also subject to the Applicant's satisfactory compliance with the terms set forth in the Debenture Authorization and all other applicable conditions.

### 1. APPLICATION DEPOSIT

At the signing of this agreement, Applicant agrees to make a deposit payable to the Regional Development Company. Underwriting of the loan application cannot begin until this deposit is received. Application deposit amount is \$1,000. If the Regional Development Company and SBA approve the loan, the fee will be used for any third party, out-of-pocket expenses incurred by the Regional Development Company, including, but not limited to, overnight delivery, postage, filing fees, environmental reports and certification fees. Once the loan closes and funds, the unused balance of the Application Deposit will be refunded to the Applicant.

**Withdrawal of Application Prior to SBA Approval:** If the Applicant withdraws its loan application at any time before the SBA issues the Authorization, the Regional Development Company will deduct reasonable and necessary costs incurred in the packaging and processing of the loan application. Such costs will be documented in the file and available to the Applicant. Included in these costs will be any third party, out-of-pocket expenses incurred by the Regional Development Company, including, but not limited to, overnight delivery, postage, filing fees, environmental reports and certification fees. These costs may include a Regional Development Company underwriting / processing fee based on the number of hours invested in the processing. The remaining Application Deposit balance will be returned to the Applicant within ten business days of the withdrawal.

**Withdrawal of Application After SBA Approval:** If the Applicant withdraws its loan application after the SBA issues the SBA Authorization, or if the SBA Authorization is withdrawn, cancelled or terminated for any reason, the Applicant forfeits the entire Application Deposit.

**RDC or SBA Decline of Application:** If the Regional Development Company or SBA declines the application, the deposit will be refunded IN FULL within 10 business days after decline, including any period for reconsideration. The Regional Development Company shall not be held liable should the SBA decline the loan application.

### 2. FEES & COSTS

By signing below, effective as of the date above, Applicant and Regional Development Company acknowledge and agree with the following terms and conditions:

#### ONE TIME FEES PAID THROUGH THE SBA LOAN PROCEEDS

The Regional Development Company does not collect the following fees, or any portion of these fees, in cash from the Applicant at any time during the application or closing process. The following fees are effective 10/1/2022 through 9/30/2023:

- SBA GUARANTEE FEE: 0.00%
- FUNDING FEE: 0.25%
- CDC PROCESSING FEE: 1.50%
- CDC CLOSING FEE: \$2,500
- UNDERWRITERS FEE: 0.40% (20 & 25-year debenture)  
0.375% (10-year debenture)

#### FEES INCLUDED IN THE 504 LOAN PROGRAM EFFECTIVE RATE

The interest rate Applicant pays under the 504 loan program is a function of the underlying cost of the debenture sold to fund the 504 loan called the Note Rate, plus three additional fees. The Effective Rate is the interest rate the Applicant pays when a 504 loan funds. The following fees are effective 10/1/2022 through 9/30/2023:

- CSA SERVICING FEE: 0.100%
- CDC SERVICING FEE: 0.625%
- SBA SERVICING FEE: 0.4405% (traditional)  
0.4559% (refinance)

**OTHER FEES AND COSTS:**

The Bank Participation Fee is a one-time fee from the participating lender to SBA. The Bank Participation Fee is 0.50% of the bank’s permanent loan amount and can be paid by the bank or Applicant.

**3. INTEREST RATES**

As the partner certified development company associated with processing, approving and funding a 504 loan, RDC will facilitate the sale of a “debenture” (a bond) to provide the 504 financing share of an approved project. It is important to remember that the 504 interest rate cannot be set for an Applicant until their loan request has been included in a specific debenture offering, which is then subsequently sold and funded. So, unlike the private sector lender loan, an Applicant won’t actually know what their final 504 interest rate will be until the 504 debenture funds.

**4. PERSONAL/CORPORATE GUARANTEES:**

Individuals who own 20% or more of an Applicant must provide a full personal guaranty. When deemed necessary for credit or other reasons, the SBA may require other appropriate individuals or entities to provide full or unlimited guarantees of the loan without regard to the percentage of their ownership interests, if any. Each spouse owning 5% or more of an Applicant must personally guarantee the loan in full when the combined ownership interest of both spouses is 20% or more. For a non-owner spouse, the SBA requires the signature of the spouse on the appropriate documents.

All entities that own 20% or more of an Applicant must provide an unlimited full guaranty. The SBA may require other entities to guarantee the loan as well. If the entity that owns 20% or more of the Applicant is a trust (revocable or irrevocable), the trust must guarantee the loan with the trustee executing the guaranty on behalf of the trust. In addition, if the trust is revocable, the Trustor also must guarantee the loan.

**5. PREPAYMENT OF 504 LOANS**

All 504 loans are fully assumable. Applicants will still need to be qualified and the SBA assesses a 1.0% fee on the outstanding indebtedness for all assumption actions. The Applicant may prepay its 504 loan, if it pays the entire principal balance, unpaid interest, any unpaid fees, and any prepayment premium. The prepayment premium shall be an amount equal to the outstanding principle balance of the debenture, plus interest accrued, plus a prepayment premium, if any. The prepayment premium determined as follows  $Prepayment\ Premium = Outstanding\ Balance\ (Note\ Rate \times Prepayment\ Factor)$ .

**20 & 25-Year Debenture**

Year	Prepayment Factor
Year 1	100%
Year 2	90%
Year 3	80%
Year 4	70%
Year 5	60%
Year 6	50%
Year 7	40%
Year 8	30%
Year 9	20%
Year 10	10%
Year 11 and thereafter	0%

**10-Year Debenture**

Year	Prepayment Factor
Year 1	100%
Year 2	80%
Year 3	60%
Year 4	40%
Year 5	20%
Year 6 and thereafter	0%

**6. ELIGIBLE PROJECT COSTS:**

Per the SBA SOP, eligible uses of 504 loan funds are those directly attributable and essential to the project, including:

- Land and necessary land improvements
- Building and building improvements
- Construction
- Contingency Fund (not to exceed 10% of the Project construction costs)
- Machinery and equipment
- Costs associated with transportation, dismantling and installation of equipment
- Furniture and fixtures (if essential to and a minor part of the Project)
- Interim interest
- Interim financing costs
- Professional fees including:
  - Appraisals
  - Environmental Reports
  - Title searches, title insurance and title closing
  - Surveys
  - Municipal and utility fees for construction
  - Engineering costs
  - Architectural fees

**7. DO-IT-YOURSELF CONSTRUCTION**

"Do-it-yourself" construction, including renovations, (e.g. installation of carpeting or painting) and/or installation of machinery and equipment may be permitted, if:

- The Applicant/contractor is experienced in the type of construction and has all appropriate licenses;
- The cost is the same as, or less than, what an unaffiliated contractor would charge as evidenced by two (2) independent bids on the work; and
- The Applicant/contractor will not earn a profit on the construction.

**8. INELIGIBLE COSTS FOR 504 LOANS:**

Any costs not directly attributable to or necessary for the project may not be paid with proceeds of the 504 loan, including:

- Bank Participation Fee
- RDC Application Deposit
- Real estate broker or finder's fee
- Permanent lender origination/commitment fee
- Attorney fees
- Accountant fees
- Working capital
- Inventory
- Start-up costs
- Uniforms
- Goodwill, customer lists, business name, blue sky
- Payroll
- Liquor licenses
- Insurance
- Leasehold improvements (non-owner-occupied space)
- Counseling or management fees
- Incorporation/Organization Cost
- Franchise Fees
- Real estate or personal property fees
- Advertising and Marketing
- Automobiles, trucks, and airplanes
- Construction equipment

**9. APPLICANT'S REPRESENTATIONS AND CONSENTS**

Regional Development Company shall have the right of access to financial records held by the financial institutions that provide interim and/or permanent first mortgage financing for the project being financed with the loan or project assets, and such financial records will be available to Regional Development Company without further notice or authorization.

Regional Development Company may release any information obtained by Regional Development Company to any financial institutions as Regional Development Company deems necessary for the purpose of processing or servicing the loan.

Applicant acknowledges that Regional Development Company may request additional information from Applicant in accordance with the request of SBA and/or other lenders. Failure to furnish the requested information on a timely basis will delay the specific assistance provided.

Regional Development Company is authorized to use my name, my company name, photographs of the project property and information about my project in press releases and marketing or other promotional materials.

IN WITNESS WHEREOF, Applicant and Regional Development Company have executed this Agreement as of the date first written above.

**Borrower:** \_\_\_\_\_

**CDC:** Regional Development Company

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Title: \_\_\_\_\_

Print Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_