



# LOAN APPLICATION ASSISTANCE AGREEMENT

This agreement is made **this** \_\_\_ **day of** \_\_\_\_\_, **20**\_\_, between Northwest Business Development Association, hereinafter referred to as NWBDA, a Washington non-profit corporation and a U.S. Small Business Administration licensed “Certified Development Company” (CDC), and \_\_\_\_\_, hereinafter referred to as Borrower.

## LOAN APPLICATION

NWBDA at the request and with the assistance of the Borrower agrees to prepare a complete set of documents with supporting exhibits to be a loan application hereinafter referred to as Application, for the use and benefit of the Borrower. The Application is intended for use by the Borrower in seeking financing through the Small Business Administration’s (SBA) 504 Loan Program.

The Borrower understands that it does not have to employ an Agent or Representative (including NWBDA) to assist with the loan application. If Borrower does employ an Agent or Representative, the fee paid must bear a reasonable relationship to the services actually performed. The SBA does not allow contingency fees (fees paid only if the loan is approved) or charges for services which are not reasonably necessary in connection with an application. If a fee is paid, the Borrower agrees to complete and sign SBA Form 159, Fee Disclosure Form and Compensation Agreement.

## NO NWBDA LIABILITY

NWBDA cannot and does not guarantee that the Borrower will obtain financing. NWBDA cannot and does not guarantee the SLPC turn time(s) designated by SBA. Borrower agrees that NWBDA shall not be responsible or liable in any manner to Borrower in the event that the Borrower is not successful in obtaining financing from SBA and/or private lending institutions, which may utilize the application.

## CHARGE FOR SERVICES

If successful in obtaining financing, there are certain fees which the Borrower agrees to pay. These fees are added to the SBA 504 loan amount requested, and payable from the gross debenture proceeds. These fees, which total approximately 2.15% plus closing costs, are required of all 504 applications and are calculated by the SBA and NWBDA. The fees are specifically calculated as follows:

1. SBA guarantee fee. (Calculated as 0.0% (.000) on the SBA portion of the loan).
2. CDC processing fee. (Calculated as 1.5% (.015) on the SBA portion of the loan).
3. Funding fee. (Calculated as .25% (.0025) on the SBA portion of the loan).
4. Underwriter’s fee.
  - Calculated for 20 and 25-year debentures: the sum of the net debenture plus fees, divided by 0.99600; round this number up to the next highest thousand; multiply this number by 0.0040.
  - Calculated for 10-year debentures: the sum of the net debenture plus fees, divided by 0.99625; round this number up to the next highest thousand; multiply this number by 0.00375.
5. Closing costs. (These are actual closing costs for title insurance, recording costs, etc., in an amount estimated between \$500.00 to \$1,500.00. These costs are typically paid out of pocket by the Borrower. Any residual amount refunded to the Borrower due to rounding will be used to offset these costs. Under certain circumstances, the closing costs can exceed these amounts).

## ATTORNEY’S FEE

Borrower acknowledges that a pre-designated SBA certified attorney will be required to “close” a 504 loan. The amount charged by an attorney for services provided is considered an eligible 504 project cost and unless instructed otherwise, will be added to the above-mentioned fees and paid out of the gross debenture proceeds. The amount charged by a 504 closing attorney is estimated to be \$4,500 to \$10,000. NWBDA does not receive any of the money paid to a closing attorney nor is NWBDA a party to any agreement between Borrower and the closing attorney.

### PROCESSING FEE AGREEMENT

NWBDA requires a processing fee to be paid by the Borrower calculated at one percent (1.0%) of the estimated net debenture amount. This fee will be considered earned when the authorization for the debenture is issued by the SBA. The processing fee will be refunded to the Borrower in full in the event that SBA does not issue an authorization. In the event the Borrower cancels its application or does not complete the debenture closing/funding process for whatever reason, the 1.0% processing fee will be retained by NWBDA as a cancellation or withdrawal fee. The Borrower can also be held responsible for any other fees and costs that have been incurred during the application/closing process, such as preliminary title insurance, etc. The processing fee for this project is calculated at \$ \_\_\_\_\_ and refunded through the CDC processing fee of 1.5% above as soon as possible after the debenture sale.)

Within 30 days of the actual funding of the SBA guaranteed debenture, NWBDA will refund the 1.0% processing fee paid in advance out of the 1.5% CDC processing fee financed into the debenture. Any costs owed to NWBDA at that time will be deducted from this amount and the remainder will be refunded to the Borrower. No interest will accrue or be paid by NWBDA during the interim period.

### BORROWER WITHDRAWAL FEE

In the event Borrower decides to withdraw the application for financial assistance before the SBA has formally approved the application or does not cooperate fully in providing materials required to submit the application to the SBA, Borrower agrees to pay NWBDA a loan preparation/service fee based on a rate of \$75.00 per hour, to a maximum of \$2,500.00 or 1% of the loan whichever is less, for the time spent in preparing the application. Borrower also agrees to reimburse NWBDA for all reasonable and necessary costs incurred in the preparation and processing of the application such as credit reports, title reports, attorney's fees, recording costs, etc. These fees may be deducted from the CDC Processing fee, if previously collected.

### 504 LOAN PREPAYMENT PENALTY

A 20 and 25-year 504 loan has a prepayment penalty during the first 10 years of the loan. A 10-year 504 loan has a prepayment penalty during the first 5 years of the loan. This is because bonds are sold to finance the SBA guaranteed portion of the loan and the bondholders must forfeit income that was to be received during the life of the bond. The penalty is a declining amount based upon the balance of the loan at the time of prepayment.

- 20 and 25-year loan: During the first year of the loan, a prepayment penalty would be 100% of the interest on the unpaid balance for a one-year period. The second-year penalty would be 90%, the third year 80%, and so on, until after the end of the tenth year of the loan there would no longer be a prepayment penalty.
- 10-year loan: During the first year of the loan, a prepayment penalty would be 100% of the interest on the unpaid balance for a one-year period. The second-year penalty would be 80%, the third year 60%, the fourth year 40%, and the fifth year 20%, until the beginning of the sixth year of the loan when there would no longer be a prepayment penalty.

### SBA LOAN ASSUMPTION

An SBA loan may or may not be assumed by another party at the sole determination by the SBA based upon credit analysis and other information submitted about the assuming party. However, in the event the SBA approves an assumption, the original Borrower (including the small business and its owners) will not necessarily be released from its guaranty of the loan. If a loan assumption is requested, Borrower agrees to pay NWBDA a fee of \$1,000.00 for costs involved in effecting the assumption. SBA does not allow any servicing actions, including loan assumptions, to be considered until the 504 loan is seasoned for at least 18-months.

### INTEREST RATES

SBA 504 loan rates are based on debentures which are sold on the bond market once a month for 20- and 25-year loans and once every other month for 10-year loans. Interest rates vary from month to month. The Borrower's interest rate is not determined until that bond is sold. The interest rate received is determined by the rate in effect for the month that the bond is sold. The interest rate is not fixed until that bond is sold; rates cannot be "locked-in" in advance of the month that the debenture is sold. The SBA 504 debenture cannot be sold until approximately 60 days after the loan is fully disbursed by the third-party lender. The interest rate is calculated by the bond rate plus fees (or spreads) as determined by the SBA on an annual basis. These fees currently in place are based on the principal balance at five-year intervals at the beginning of each interval. They are comprised of the Central Servicing Agent (CSA) fee of one-tenth of 1% (.10 of 1%); the CDC servicing fee of 5/8 of 1% (.625 of 1%); and the SBA Guaranty fee of 364/1000 of 1% (.364 of 1%). The SBA Annual Service fee for the permanent debt refinance without expansion program is 389/1000 of 1% (.389 of 1%). If the loan is approved in the next fiscal year, the SBA Guaranty Fee may be different.

**USE OF PROCEEDS**

All proceeds used for SBA 504 funds must be used for fixed asset financing or refinancing and eligible closing costs. At time of closing, Borrower and/or participating lender will be required to provide evidence that project proceeds were used for eligible purposes. Sufficient evidence may include invoices with form of payment (cancelled checks or bank statements), certified settlement statements, certified lender construction draw sheets, lender transaction histories, or other forms acceptable to SBA.

**LOAN PAYMENTS**

Loan payments will be required to be made on the first business day of each month. Payments can only be made by electronic transfer from an account specified in writing by the Borrower, or by wire transfer. No other method of payment is available, and the due dates cannot be changed.

**CONFIDENTIALITY**

In the conduct of this assistance, NWBDA acknowledges and certifies that all business and personal financial information provided by the Borrower and/or its principal(s) will be held in strictest confidentiality and will not be divulged to any persons or agencies other than SBA, prospective lenders and/or guarantors.

**MISCELLANEOUS**

NWBDA reserves the right to issue press releases, advertisements and other promotional materials describing any successful outcome of services provided on the Borrower’s behalf. The Borrower agrees that NWBDA shall have the right to identify the Borrower by name in those materials.

Because federal law prohibits the distribution and sale of marijuana, financial transactions involving a marijuana-related business would generally involve funds derived from illegal activity. Therefore, businesses that derive revenue from marijuana-related activities or that support the end-use of marijuana may be ineligible for SBA financial assistance. Whether a business is eligible is determined by the nature of the business’s specific operations, including direct marijuana business, but also indirect marijuana and hemp-related business. Leasing space to a marijuana-related business in a building that is acquired, constructed or refinanced with SBA financing is also prohibited.

**By signing, Borrower and its principal(s) certify that they have read this agreement, completely understand its contents, and agree with each provision.**

Borrower: Northwest Business Development Association

By: \_\_\_\_\_ By: \_\_\_\_\_  
Borrower

By: \_\_\_\_\_  
Borrower

By: \_\_\_\_\_  
Borrower

By: \_\_\_\_\_  
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