



Bank Requirements

504 LOAN PROGRAM

The Mentor Economic Assistance Corporation is a Certified Development Company (CDC), which is certified by the Small Business Administration (SBA) to administer the 504 Loan Program. The 504 Loan Program is an economic development tool that provides small businesses with long term, fixed rate, subordinate mortgage financing and acquisition and/or renovation of capital assets including land, buildings, and equipment. Virtually all types of for profit small businesses are eligible for this program.

1. COMMITMENT LETTER

Statement from bank that it cannot finance 90% of project but it will agree to a commitment to finance 50% of the project if the borrower participates in an SBA 504 loan where CDC finances 40% of the project.

- Provide a *Commitment Letter* with language suitable to Small Business Administration (SBA)
- Agree to a loan for 50% of project for a term not less than 10 years
- Agree to provide interim loan equal to 40% of project until debenture is sold to fund CDC portion

2. MEACO & SBA REVIEW

MEACO Loan Review

- The Mentor Economic Assistance Corporation will package loan and present loan application to the MEACO Loan Review Committee for approval

SBA Review & Authorization

- The Mentor Economic Assistance Corporation submits approved loan package to the SBA for review and SBA prepares Authorization

Bank receives copy of SBA Authorization

- Bank funds 90% of project with interim loan as “interest only”
- Loan structure should include two loans, one for 50% of project costs and the other for 40% of project costs. This will facilitate the take out financing that the SBA 504 loan will initiate at closing, when project is complete and occupied
- Appraisal must be equal or greater than the total project cost. If the appraisal is lower than project cost, additional equity or collateral will need to be pledged.

CDC closes its loan at completion of project (or construction)

- Bank submits an Estoppel Letter to MEACO and an acknowledgement that interim loan was fully disbursed
- MEACO’s debenture is funded through Credit Suisse First Boston
- Funds are wired to bank to take out interim loan
- MEACO subordinates its lien position to bank

3. BANK AUTHORIZATION