



209 E. William, Suite 300
Wichita, Kansas 67202

SCKEDD Messenger

February 2007, Issue 2

Role of a Certified Development Company

The key to SBA's 504 program are the Certified Development Companies (CDC), non-profit organizations sponsored by private interests or by state or local governments. These local community experts have access to SBA loan programs through certification from the Office of Rural Affairs and Economic Development at SBA. There are over 400 CDC's nationwide. *SCKEDD is the CDC that serves the Kansas Counties of Butler, Chautauqua, Cowley, Elk, Greenwood, Harper, Harvey, Kingman, Marion, McPherson, Reno, Rice, Sedgwick and Sumner.*

SBA's 504 loan resources are generated by issuing government-guaranteed debentures on behalf of CDC's. Since debentures are pooled monthly and sold through a certificate mechanism to the public market, there is a prepayment penalty for one-half the life of the debenture (either 5 or 10 years). Typically, a financing package consists of three funding sources – bank loan (50%), 504 loan (30-40%) and equity injection (10-20%). After the equity injection, the bank funds the full interim loan amount. Once the debenture is sold, funds are applied to reduce the bank loan to its permanent amount.

SBA 504 Program

Q&A: 504 Interest Rates

“Why do CDC's quote different SBA 504 interest rates?” Please note that Small Business Administration (“SBA”) sets the parameters on all debenture rate structures. The Development Company Funding Corporation (“DCFC”) provides monthly debenture pricing. Colson Services then calculates the “effective rates.” It is the CDC that chooses *how* to present the historical rates to bankers and clients. These rates cannot be mistaken as rate quotes. There are two common practices in our market area – provide the most recent “effective rate” inclusive of ALL fees or the “note rate” with fees. The effective rate is the rate that borrower actually pays, similar to APY. In comparison, the note rate between the Borrower and the CDC is similar to APR. *SCKEDD discloses effective rates as we believe that it is a more accurate representation of what the client will pay.*

CONTACT SCKEDD FOR YOUR LENDING PARTNER TODAY!

316-262-7035, 800-326-8353 or sandy@sckedd.org

Your SCKEDD 504 Team Consists of:

Sandy Ring, Program Manager

Marge Sherraden, Closing Officer

Julie Baker, Development Coordinator

Phone—316-262-7035

Facsimile—316-262-7062

Website—www.sckedd.org



TOPIC for Next Issue:
504 Benefits for Bankers
and Clients

Monthly Rate Corner

“Effective” 504 Rates based on the
most recent Debenture Sale -

10-Year 6.441%

20-Year 6.460%



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SCKEDD and SBA 7(a) Loans

The Wichita District Office is no longer accepting 7(a) loan applications. As we informed you last month, January 26th was the last day our local district office was able to accept applications. The applications must now be submitted to SBA's Hazard KY office. SBA prefers that the applications are sent via email.

Part of the new application process is an 18 page Eligibility Questionnaire and upfront documentation before completing the Form 4 Application. **We can help you complete the questionnaire and the application.** We can prepare all the many different forms and supporting information and submit the signed and complete application via e-mail to the Hazard Office for you.

We can help you keep your customer. When you next visit with a business owner or with someone who wants to start a new business in your community, remember the SBA. **Do not dismiss doing an SBA loan because the paper work has just gotten more complicated.** SBA loan programs (both the 504 and the 7(a)) can benefit your bank and your community and your small business customer.

We are here to help you and your small business customer.

The next time you have questions about SBA loans call SCKEDD.

Your SCKEDD 7(a) Team Consists of:

Rick Rawlings, Program Manager
rick@sckedd.org

Julie Baker, Development Coordinator
jbaker@sckedd.org

Phone—316-262-7035
Facsimile—316-262-7062
Website—www.sckedd.org

Did you know that SCKEDD has internal lending programs to be used for "gap" financing? Our current fixed interest rates are:

USDA "IRP"—9.75%

EDA "RLF"—9.75%

SBA "Microloan"—10.25% for loans over \$10,000
10.95% for loans under \$10,000

To add or remove your name from our e-mail list please contact us. *Thanks!*

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