



209 E. William, Suite 300  
Wichita, Kansas 67202

# SCKEDD Messenger

July 2007, Issue 7

## SBA 504 Program

### Moving SBA 504 Approval to Debenture Sale

In order for the bank, client and SCKEDD to benefit from the 504 program, SCKEDD's portion of the project requires a debenture sale. Ten-year debentures (typically for equipment purchases) are sold every other month whereas 20-year debentures (typically for real estate purchases) are sold every month. Shortly after SBA approves the 504 Debenture an Authorization is issued. From this authorization staff prepares a "Checklist" outlining items required to move the project to a debenture sale, and it is provided to the bank and the client. A "goal" debenture date is then set depending on the nature of the project. Acquisitions are done rather quickly in comparison to projects that include construction.

The bank disburses the interim financing which includes both the bank permanent loan and SBA 504 share according to the bank commitment letter. The SBA share is ultimately paid down from the debenture proceeds. A common 504 project structure is referred to as a 50-40-10 split—the banker has 50% of the funding, the Certified Development Company (CDC)/SCKEDD has 40% and the client, referred to as the Small Business Concern (SBC), injects 10% equity. Keep in mind that *504s are only for fixed asset purchases*, not working capital, although there are some eligible 504 costs associated with the project that can be rolled into the funding.

*One of the keys to get a debenture sold in a timely manner is for the banker and SBC to provide accurate and legible documentation supporting the asset purchases.* If all documentation is to SCKEDD by the first week of a month, the sale date will be approximately 2 ½ months later. That seems like a long time, but the documentation goes through many hands and the nationwide debenture sale only occurs one day a month resulting in a large loan volume. A timeline example for an October 17th sale is as follows:

1. Closing documents to SCKEDD by August 8<sup>th</sup>;
2. Closing documents to our attorney by August 22<sup>nd</sup>;
3. Documents to SBA District Office by September 5<sup>th</sup>;
4. Documents to New York for the sale by September 25<sup>th</sup>; and
5. Debenture sale October 17<sup>th</sup>.

The funds from the debenture sale will be wired to the bank the day of the sale. At that time, the bank will proceed to permanent financing with a new Promissory Note. The SBA payment is required to be paid via ACH on the 1<sup>st</sup> business day of each month, so if the SBC needs to space the payments out, we suggest that the bank consider having its payment due mid-month. This article will continue in next month's issue as we discuss various debenture closing elements and how they relate to a smooth and timely debenture sale.

### CONTACT SCKEDD TODAY!

**316-262-7035, 800-326-8353, [sandy@sckedd.org](mailto:sandy@sckedd.org) or [rick@sckedd.org](mailto:rick@sckedd.org)**

#### Your SCKEDD 504 Team is:

*Sandy Ring, Program Manager*  
*Marge Sherraden, Closing Officer*  
*Julie Baker, Development Coordinator*  
Phone—316-262-7035  
Fax—316-262-7062  
E-mail—[sandy@sckedd.org](mailto:sandy@sckedd.org)  
Website—[www.sckedd.org](http://www.sckedd.org)



**TOPIC for Next Issue:**  
More 504 Closing Tips

### Monthly Rate Corner

504 Rates based on the July 2007 Debenture Sale

	"Note Rate"	"Effective Rate" (includes fees)
10-Year	5.781%	6.845%
20-Year	5.899%	6.789%



209 E. William, Suite 300

Wichita, Kansas 67202

## SBA 7(a) Program

### Fiscal Year End

We have just completed our fiscal year. During that year we completed more SBA 7(a) projects than we have for the last few years. As we start our new year we have four active projects that we are working on. And last week we had four very strong inquiries that you have sent us. We appreciate your business very much and look forward to working with all of you on new projects in the new year.

*If you have questions about a possible project, give Rick a call (316-262-7035) or e-mail him (rick@sckedd.org). He will be happy to talk with you.*

### SBA Training Calendar

Did you know that you can access SBA's training calendar on-line? Be sure to visit <http://web.sba.gov/calendar/public>. Select the state of Kansas box, choose month, and click on "Submit Change". You can use this resource to find training sessions, conferences and seminars tailored for existing and start-up small businesses owners.

#### Your SCKEDD 7(a) Team is:

*Rick Rawlings, Program Manager (rick@sckedd.org)*

*Julie Baker, Development Coordinator (jbaker@sckedd.org)*

Phone—316-262-7035 Fax—316-262-7062

Website—[www.sckedd.org](http://www.sckedd.org)

## Additional SCKEDD Loan Programs

SCKEDD has microloan funds available for small businesses in all of our fourteen counties. These loan funds can be used equipment, working capital, inventory, and site improvements. They can also be combined with other funding sources up to total project amounts of \$105,000. Bank turndowns are required for loans over \$20,000. Interest rates are fixed at 10.25% - 10.95% based on loan size. For those with good credit and needs of \$7,500 or less, the loans can be approved without loan committee review and an abbreviated application process may be possible. Training and technical assistance is available to borrowers of this loan program. Contact Christie Henry at SCKEDD for more information.

SCKEDD's Rural Business Development Tax Credit Program has funds available for loans of \$2,500 to \$50,000. These funds are available in the rural areas of our district outside of the cities of Hutchinson and Wichita. These funds can be used for inventory, equipment, real estate purchases, site improvements, and working capital. The interest rate is fixed at 1% - 2% above New York prime, based on loan size. Bank turndowns are required for loans over \$20,000.

*If you'd like more information about these programs, please contact Christie Henry at 316-262-7035 (toll-free 800-326-8353) or e-mail her at [christie@sckedd.org](mailto:christie@sckedd.org) for more information.*

### SCKEDD

209 E. William, Suite 300

Wichita, Kansas 67202