



209 E. William, Suite 300
Wichita, Kansas 67202

SCKEDD Messenger

August 2007, Issue 8

SBA 504 Program

More . . . 504 Closing Tips

This article is a continuation of the June 2007 *Messenger* article "Moving SBA 504 Approval to Debenture Sale." To aid in hastening the debenture sale process, we address project eligibility issues up front during the application stage. And, our staff prepares as many of the 504 closing documents as possible and has them signed at the same time the bank closes on the interim financing. Adversely, waiting for the last moment to gather closing documents proves to be stressful to all parties.

Tip #1: Keep on top of the construction costs.

Since the construction costs are proven through the bid and change orders, we strive to be in contact with the contractor at the start of the project. The contractor will also provide final Lien Waivers for each subcontractor, a Final Sworn Affidavit to Owner and a Schedule of Subcontractors once the construction is completed. Don't forget that 504s are for fixed asset funding only, not working/operating capital. An important element to remember is that the interim financing draws need to be carefully monitored by the banker so that working capital does not slip into the mix of interim funding.

Tip #2: Document machinery & equipment costs.

The simplest and fastest way to document the cost of

M&E purchases is to photocopy both the invoices and checks paying those invoices as items are purchased and put the documents in a separate file to be provided to SCKEDD when the project is complete.

Tip #3: Information for Schedule A (detailed M&E list attached to the Security Agreement).

For Schedule A to be complete, we need the item, brand, serial number and identification number for M&E purchased with the 504 loan proceeds. This is another requirement that can be more easily handled if the information is gathered as the M&E is purchased and installed.

Tip #4: Get life insurance taken care of early.

Nearly every 504 loan will require life insurance assignments. If a new policy is going to be obtained, *apply for the insurance policy at least three months* before the project moves to debenture sale. It often takes that long for the insurance companies to schedule the physicals, obtain the results, determine if they will issue the policy and then to finally issue it. Once the policy is issued we can prepare an Assignment of Life Insurance as Collateral and forward it to the insurance company to be recorded and returned. Often life insurance is THE issue that will delay the sale of the debenture.

CONTACT SCKEDD TODAY!

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

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TOPIC for Next Issue:
Patriot Express

Monthly Rate Corner

504 Rates based on the most recent Debenture Sale

	"Note Rate"	"Effective Rate" (includes fees)
10-Year*	5.781%	6.845%
20-Year **	5.859%	6.751%

* July 2007 (10-year Debentures sell every other month)
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SBA 7(a) Program

Franchising Trend Growing

You may have noticed over the last few years that franchising has steadily grown. Your next new customer may want to buy a franchise and start it in your community. How do you handle franchise clients? If you are thinking about using an SBA loan to finance the startup, then check out the Franchise Registry at www.franchiseregistry.com/registry.

This web site will tell you if the Franchisor has had their Franchise Agreement reviewed and approved by the agency. You no longer have to review contracts for franchisee loan applications from eligible franchisors. If the franchise is on the system you may accept a current "Certificate of No Material Change" in lieu of reviewing the contract.

If you have a franchise agreement that is not on the Registry, then contact Linda McMaster, District Counsel for the Wichita District Office at 316-269-6191 ext. 260. She can advise you as to what must be done to get the franchise approved. Such review can determine if the franchise agreement is too restrictive or, possibly, has too much control over the franchise. The major areas of concern are: control, leasing, renewals, transfers, defaults and terminations.

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SCKEDD Awarded New Grant

SCKEDD was recently awarded a \$25,000 grant from the Rural Business Development Tax Credit Program to provide financial and computer training to rural businesses in the SCKEDD counties. This training is available to all businesses located outside the cities of Wichita and Hutchinson, and will take place during the next year, concluding by June 30, 2008. Training available will include QuickBooks Pro 2007 financial software, general Microsoft Office products and general financial management. Private consultation will also be available upon request. For more information, please contact Shelley Basham or Christie Henry at SCKEDD.

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

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