

The "American Recovery & Reinvestment Act of 2009" (HR-1), enacted on and as of February 17, 2009 by President Barack Obama, implemented the following fees reductions in the SBA-504 loan program.

The Third Party Lender (Bank) Participation Fee, which was 0.5% of the Lender's portion of financing, has been eliminated.

The Certified Development Company's (CDC) Fee, which was 1.5% of the SBA's portion of financing, has been removed from the debenture and will be paid by SBA directly.

To better understand these changes, here's a scenario with 50/40/10 split:

Total Project Cost (acquisition of building):	\$2,000,000
Bank's Financing Portion- 50% of project cost:	\$1,000,000
SBA/CDC Financing Portion- 40% of project cost:	\$800,000
Individual Business Contribution- 10% of project cost:	\$200,000

Lender (Bank) Participation Fee- 0.5% of Bank's financing portion: **\$5,000(eliminated)**  
CDC Processing Fee- 1.5% of SBA's financing portion: **\$12,000(paid directly by SBA)**

These temporary changes to the fee structure will remain in place until the funds appropriation is exhausted. Initially, we expect to continue under this structure until December of 2009.

In addition to the fee reduction, HR-1 also now allows us to include the refinancing of pre-existing debt (up to 50% of total project cost) as an eligible component of a 504-project. We expect detailed policies in this regard to be released very soon.