



SBA 504 LOAN CONSTRUCTION REQUIREMENTS

SBA conditions outlined in the SBA 504 Authorization must be met for debenture funding. TMC Financing must be in receipt of the following documents and information to meet some of the SBA conditions.

- Final Unconditional lien releases from Contractors and Subcontractors may be required.
- Notice of Completion form filed correctly within 15 calendar days from completion per California law.
- The property complies with all the governmental permit and licensing requirements.
 - Certificate of Occupancy or Final Inspection sign off from the City evidencing permitted work is complete and has been signed off by the City or County inspector.

OR

- Evidence Permits are not required. CDC may contact the City or County for confirmation.
- General Contractor, Engineer or Architect letter confirming if seismic regulations are applicable and if so that they are met. *Template letter provided by TMC Financing.*
- Lender has confirmed full disbursement of funds and final loan amounts.
- CDC can support the entire final project with appropriate documentation and is in a position to certify funds were used as set forth in the Authorization and all project costs are SBA eligible.
 - Construction Lender provides support of final project with construction cost spreadsheets including breakdown of project uses with evidence how and who bank funds were paid to, i.e. Contractor(s) or Borrower. If project funds are paid directly from Lender to the Borrower proof of payment to Contractor(s) is still required.

- If Construction Control Company is involved final disbursement ledger with detail is provided.
- CDC is provided with evidence of project cost increase or change in use of funds from cost estimates submitted at application to ensure SBA eligibility.
- Evidence of Borrower Injection and proof of payment of construction costs from Borrower to Contractor(s)- Certified final closing statement and deposit receipts from escrow. Paid invoices with cancelled checks/wire receipts or copies of paid invoices with lien waivers from contractor(s).
- Appraisal recertification letter received.
 - If the appraisal was for “as completed” value and **construction cost is 1/3 of purchase price or FMV** we must be in receipt of a certification from the appraiser that the building was built with only minor deviations (if any) from the plans and specifications upon which the original estimate of value was based.
 - If the Appraiser cannot provide such a statement, then the CDC cannot close the loan without the SBA’s prior written permission. If the improvements have not been completed as planned it is requested that the Appraiser describe any impact this has on their opinion of market value.
 - If the Lender engaged the Appraiser we will need their assistance in requesting and retrieving this document from the Appraiser once construction is complete.
- Review of updated financials for Borrower and Guarantors. *Financials can be no older than 120 days when the loan is submitted to SBA for closing and debenture funding.*
- **The lien period has passed and Title is in a position to issue TMC a lien free extended ALTA insurance policy.**
 - The mechanics lien period will be determined by the Title Company. The average lien period is 90 days from completion. However due to some other variables in the law Title companies may need to wait 6 months to 1 year to issue a lien free ALTA policy.
 - In order to close the SBA loan prior to that period of time being up the Title Company must approve an Indemnity. Documents typically required for review by the Title company are; financials, construction breakdown with proof of payment & invoices, final unconditional lien releases from Contractors and Subcontractors and an executed indemnity agreement by Borrower.

***Additional documentation may be required if deemed necessary to fund the SBA debenture.**