

# INSTRUCTIONS FOR USE OF SBA FORM 1505, 504/CDC NOTE

SBA is issuing a new version of its 504 Note. You must use it beginning November 15, 1998.

For an overview of the changes to the 504 Note, refer to the *Overview of 1998 Changes to SBA 7(a) Note, 504 Note, and Guarantees*.

- A. Mandatory Use. You must use the 504 Note for all SBA 504 loans. You may not use any other note after November 15, 1998. You do not have to re-execute notes signed before November 15, 1998 using the old Form 1505.
- B. No Alterations. You may not alter the text or make any additions except to insert information required to complete the form.
- C. Insertions. You must fill out the form where indicated, including any state-specific language required by state law that appears in the Authorization. You must complete the terms accurately and in accordance with the Authorization and any amendments.
- D. Choice of Law. You must not insert choice-of-law provisions into the Note. If you include choice-of-law language in your loan agreement, you must state that federal law applies when SBA holds the Note.
- E. Information Grid. Fill out all applicable spaces in the information grid at the top of the front page of the Note. Most information for the grid will come from the Authorization. The information must be consistent in all documents--Authorization, Note, and Guarantees.
  1. SBA Loan Number. Copy from the Authorization.
  2. SBA Loan Name. The term "SBA Loan Name" is new. This must be the same as in the Authorization.

The SBA Loan Name is the **first available** name from the following list:

- a. The "dba" name (trade name) of the Operating Company
- b. The actual (legal) name of the Operating Company
- c. The "dba" name (trade name) of the Borrower
- d. The actual (legal) name of the Borrower

If there is more than one Borrower or Operating Company, use the first Borrower or Operating Company listed in the Authorization and apply the above rules.

3. Date. This is the date the Note will be signed.
4. Loan Amount. Insert, in numbers only, the principal amount of the loan.
5. Borrower. Insert all Borrower names. DO NOT INCLUDE DBAs. All Borrower names in the information grid must be the same as in the signature block.

6. Operating Company. If the Borrower is an Eligible Passive Company (EPC), insert the legal name of the Operating Company here. DO NOT INCLUDE DBAs. If there is no Operating Company, insert N/A. If the Operating Company is a co-borrower, insert the name of the Operating Company in the Borrower block and the Operating Company block.
  7. CDC Name. Insert the name of the CDC and the CDC number used by the Servicing Agent.
  8. Funding Date. This is the date the debenture is sold.
  9. First Payment Date. This is the date that the first payment is due on the Note, which is the first day of the month after the Funding Date.
  10. Note Maturity Date. This is the first day of the month in which the Funding Date occurs, plus the number of years of the debenture term. For example, if the Funding Date for a 20-year debenture was June 17, 1998, the Note Maturity Date will be June 1, 2018.
  11. Interest Rate. Leave the interest rate blank. The Servicing Agent will complete this item, which is determined by the rate at which the debenture is sold.
  12. P & I Amount. Leave this blank. This is the principal and interest amount needed to amortize the Note amount. It is not the Borrower's payment amount. The interest rate at which the debenture is sold establishes the P & I Amount.
  13. Monthly Payment. Leave this blank. It is the P & I Amount plus any monthly fees the Borrower must pay. The Servicing Agent will also complete this item.
- F. Amount. In paragraph 1, write in the amount of the Note in words, such as "One Hundred Ninety-Two Thousand and No/100." This must be the same as the Loan Amount in the grid above.
- G. Signatures. You must create the signature block at the end of the Note. The signature block must include the legal name of the individual or entity signing the Note and, where applicable, the name and title of the authorized representative who will execute the document on its behalf. For instructions on how to complete an enforceable signature block that complies with applicable state law, consult with your attorney.
- H. Assignment. Fill out the assignment, including the name and title of the authorized official of the CDC who will sign it.