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MCDC President Addresses the Questions on Lenders' Minds

As we conclude the fourth week of the partial government shutdown, I believe it is important to provide a brief update on funding of 504 loans and address questions I have received regarding approval and helping lenders assist their customers.

The January loan funding occurred this week with rates well below 5.00% for both the 20-year and 25-year notes including the refinance product. The SBA engaged a team to work through the February loan funding cycle. Loans have now been approved to move forward and will fund February 13, 2019 as scheduled. We anticipate the March funding to take place as scheduled. The caveat is only those loans requiring no amendments can be approved to fund.

We have received questions from Lenders throughout the state regarding what they can do to preserve the 504 option yet satisfy their customer's timing issues. As every project is unique, I encourage you to consult with your MCDC Loan Officer (see list of contact numbers [here](#)) to address your specific circumstances. In general, here are a couple of options assuming a 50/40/10 loan arrangement:

- If the loan is not yet MCDC Board approved - continue working with your MCDC Loan Officer and/or Underwriter to provide the necessary information to complete the credit memo for submission to the Board for approval.
- If your project is either MCDC Board or SBA approved but cannot continue to funding, you may choose to close your loans on a temporary basis, meaning with a term of less than three years. Again, please consult with your MCDC Loan Officer to ensure terms of the loans will not be considered "permanent financing" by the SBA which would then require a minimum waiting period of two years to be eligible as a refinance project.
- If your institution's policy does not allow for 90% financing, one resolution is to take additional collateral on the interim loan. Collateral may be other real estate, equipment, short-term assets or liquid assets such as a hold on a checking or savings account. Note, the lien on these assets is designed to be discharged once SBA approval or MCDC closing has occurred.

As always, if you have questions, please contact your MCDC Loan Officer or call the East Lansing headquarters at 833-4-SBA-Loan (833-472-2562).

All the best as we anxiously await an end to the shutdown.

Mark Williams, President

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