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Fees

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Fees on 504 loans

Overview

Table 5-1: Fees on 504 Loans								
Loan Approval Date	Third Party Lender Participation Fee (one-time fee)		Borrower SBA Fee (ongoing fee)		Minimum CDC Servicing Fee (ongoing fee)		CSA Fee (ongoing fee)	
Prior to 10-13-95	N/A	0.00%	N/A	0.000%	one-half of one percent	0.50%	one-tenth of one percent	0.010%
10-13-95 through 09-30-96	N/A	0.00%	one-eighth of one percent	0.125%	one-half of one percent	0.50%	one-tenth of one percent	0.010%
10-01-96 through 09-30-97	one-half of one percent of senior lien \$	0.50%	seven-eighths of one percent	0.875%	five-eighths of one percent	0.625%	one-tenth of one percent	0.010%
10-01-97 through 09-30-98	one-half of one percent of senior lien \$	0.50%	thirty-one fortieths of one percent	0.775%	five-eighths of one percent	0.625%	one-tenth of one percent	0.010%
10-01-98 through 09-30-99	one-half of one percent of senior lien \$	0.50%	seven hundred twenty-nine thousandths of one percent	0.729%	five-eighths of one percent	0.625%	one-tenth of one percent	0.010%
10-01-99 through 09-30-00	one-half of one percent of senior lien \$	0.50%	six tenths of one percent	0.600%	five-eighths of one percent	0.625%	one-tenth of one percent	0.010%
10-01-00 through 09-30-01	one-half of one percent of senior lien \$	0.50%	four hundred seventy-two thousandths of one percent	0.472%	five-eighths of one percent	0.625%	one-tenth of one percent	0.010%
10-01-01 through 09-30-02	one-half of one percent of senior lien \$	0.50%	four hundred ten thousandths of one percent	0.410%	five-eighths of one percent	0.625%	one-tenth of one percent	0.010%
10-01-02 through 09-30-03	one-half of one percent of senior lien \$	0.50%	four hundred twenty-five thousandths of one percent	0.425%	five-eighths of one percent	0.625%	one-tenth of one percent	0.010%
10-01-03 through 09-30-04	one-half of one percent of senior lien \$	0.50%	three-hundred ninety-three thousandths of one percent	0.393%	five-eighths of one percent	0.625%	one-tenth of one percent	0.010%
10-01-04 through 09-30-05	one-half of one percent of senior lien \$	0.50%	two-hundred eighty-eight thousandths of one percent	0.288%	five-eighths of one percent	0.625%	one-tenth of one percent	0.010%
10-01-05 through 09-30-06	one-half of one percent of senior lien \$	0.50%	one-hundred ninety-two thousandths of one percent	0.192%	five-eighths of one percent	0.625%	one-tenth of one percent	0.010%
10-01-06 through 09-30-07	one-half of one percent of senior lien \$	0.50%	eighteen thousandths of one percent	0.018%	five-eighths of one percent	0.625%	one-tenth of one percent	0.010%
10-01-07 through 09-30-08	one-half of one percent of senior lien \$	0.50%	twenty-one thousandths of one percent	0.021%	five-eighths of one percent	0.625%	one-tenth of one percent	0.010%

Table 5-1: Fees on 504 Loans								
Loan Approval Date	Third Party Lender Participation Fee (one-time fee)		Borrower SBA Fee (ongoing fee)		Minimum CDC Servicing Fee (ongoing fee)		CSA Fee (ongoing fee)	
10-01-08 through 09-30-09	one-half of one percent of senior lien \$	0.50%	zero percent	0%	five-eighths of one percent	0.625%	one-tenth of one percent	0.010%
10-01-09 through 09-30-10	one-half of one percent of senior lien \$	0.50%	three hundred and eight-nine thousands of one percent	0.389%	five-eighths of one percent	0.625%	one-tenth of one percent	0.010%

Third Party Lender Participation Fee

An update to the CSA Manual which describes fee changes due to the American Recovery and Reinvestment Act (ARRA) will be available on the NADCO website In June 2009. This chapter was prepared before the enactment of ARRA and will not be updated until all portions of ARRA have been announced. As of the preparation of this manual, only the fee elimination portion of ARRA for 504 had been announced. CDCs are advised to review NADCO Technical Issues Memos 12-09, 13-09, 14-09, 16-09, and 17-09 as well as the SBA Notices referenced in this TI memos.

According to the statute, regulations, and SOPs, the Third Party Lender participation fee “is to compensate SBA for the senior lender’s lien advantage in a foreclosure situation.” The fee charged to a lender in a senior lien position to the 504 project is not part of the ongoing servicing fees. Rather, it is a one-time fee. The Third Party Lender participation fee is discussed in this manual since the CDC can request the fee any time after the Authorization is issued.

For loans approved on 10-01-96 and after, a one-time participation fee of one-half of one percent (0.50% or .005) of the Third Party Lender’s loan amount is charged to any lender on a secured loan amount in a senior lien position to the 504 loan. This fee is generally collected by the CDC and mailed to COLSON with the other forms sent by the CDC prior to debenture funding. For information about this fee and further details and options on how to remit this fee, refer to 50-10(5), page 314, effective August 1, 2008. This was previously referenced in SOP 50-10(4), Subpart H, Chapter 23, Paragraph 4.b.

SOP 50-10(5), page 314

<p>3rd Party Lender & CDC -- 13 CFR 120.972 (a) Participation Fee -- Senior Lienholder</p>	<p>0.50 % of the senior mortgage loan -- One Time fee</p>	<p>A one-time fee from the Third Party Lender if in a senior lien position to SBA in the project. The fee may be paid by the Third Party Lender, CDC or borrower.</p>
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CDC servicing fees

General information

Fees on the 504 Loan program are governed by regulation. There have been changes at various times since the program began. Prior to closing a 504 Loan, most of the fees relating to that Loan are found in the *Authorization for Debenture Guarantee* as amended. After the Loan has funded, fees on a specific Loan are also found in the *Servicing Agent Agreement* for that Loan.

All CDC Fees, except late fees, may be paid via ACH Credit. CDCs that opt to receive fee payments via ACH Credit are not mailed corresponding statements. The statements are available via the COLSON CDOnline website.

How are servicing fees determined?

Servicing fees are calculated on the outstanding principal balance of the Note at the beginning of each five-year anniversary interval. The servicing fees remain the same for the five-year intervals.

At the start of each subsequent five-year interval, the servicing fees are reduced based on the actual outstanding principal balance of the Note at the start of the five-year interval, thereby reducing the borrower's monthly payment. The borrower's monthly payment will follow the amortization schedule **providing** the borrower is current at the start of the five-year interval.

Servicing fee information found on the 504 Note Amortization Schedule

Servicing fees are listed by category for each monthly payment, showing the amount of the borrower's monthly payment that is applied to fees to the SBA, CDC and CSA.

DATE: April 15, 2009

MONTHLY PAYMENTS DUE AT FIVE-YEAR INTERVALS:

SBC:	TOYS UNLIMITED	PRINCIPAL:	\$1,406,000.00	1-5	\$10,099.81		
DBA:	THE TOY COMPANY	ISSUED:	April 15, 2209	Note Rate 4.37612%	6-10	\$ 9,868.24	
LOAN #:	3227896005	MIND TERM:	20 YEARS	ESCROW:	\$8,786.36	11-15	\$ 9,582.92
						16-20	\$ 9,227.96

MONTH	NO.	INTEREST	PRINCIPAL	BALANCE	SBA FEE	CDC FEE	CSA FEE	MONTHLY PAYMENT
May 09	1	\$2,734.59	\$6,051.77	\$1,399,948.23	\$ 24.61	\$1,171.67	\$ 117.17	\$ 10,099.81
June 09	2	\$5,105.28	\$3,681.08	\$1,396,267.15	\$ 24.61	\$1,171.67	\$ 117.17	\$ 10,099.81
July 09	3	\$5,091.86	\$3,694.50	\$1,392,570.65	\$ 24.61	\$1,171.67	\$ 117.17	\$ 10,099.81
Aug 09	4	\$5,078.39	\$3,707.97	\$1,388,864.68	\$ 24.61	\$1,171.67	\$ 117.17	\$ 10,099.81
Sept 09	5	\$5,064.87	\$3,721.49	\$1,385,143.19	\$ 24.61	\$1,171.67	\$ 117.17	\$ 10,099.81

CDC servicing fees

General information

The total monthly payment information is shown in the upper right corner on the amortization schedule. Providing the borrower is current at the start of each five-year interval, the monthly payments stated on the amortization schedule reflect the payments the borrower will make on the borrower's 504 loan for the life of the loan.

Payment Number	Monthly Payment
1 – 60	\$3,407.49
61 – 120	\$3,374.21
121 – 180	\$3,325.30
181 – 240	\$3,252.09

The monthly payment includes the principal, interest, the CDC servicing fee, the CSA servicing fee and the SBA on-going guarantee fee for loans approved after 10-13-95.

For the first five years, payments 1 – 60, the fees are based on the original note balance.

The monthly payment amount is reduced on each five-year anniversary date in an amount equal to the decline in fees.

What if the borrower is delinquent at the five-year anniversary date?

Servicing fees are recalculated based on the existing outstanding note balance at the start of the five-year anniversary interval.

If the borrower is delinquent at any five-year anniversary date, the outstanding note balance is higher than the balance shown on the amortization schedule. The fees that are added to the monthly payments must be recalculated based on a higher principal balance. Thus the higher fees result in a new monthly payment that is higher than the payment shown on the amortization schedule.

As a result, the borrower will pay a higher monthly payment amount for the next five-year interval. Principal and interest payments do not change – only the fees; however, additional interest will accrue until the Note balance is brought current.

This is why it is important for the CDC to help the borrower understand how crucial it is that the borrower stays current on the loan and that the borrower be current, with no outstanding accruals, on the Loan's five-year anniversary dates.

The reduction affects fees accrued after the five-year anniversary date only.

CDC servicing fees

Minimum and maximum fees that can be charged

Minimum CDC servicing fee received by a CDC

The minimum annual servicing fee the CDC must receive as required by the SOPs is 0.5% or 0.005 per annum on the unpaid principal balance as determined at five-year anniversary intervals.

Minimum CDC servicing fee collected by a CDC

Effective for Loan approvals on or after October 1, 1996, the SBA collects from each CDC an ongoing Development Company Guarantee Fee of 1/8th of one percent per annum on the unpaid principal balance as determined at five-year anniversary intervals. The fee is deducted from the servicing fees collected by the CDC. Therefore, according to SOP 50-10(4), page 315, the minimum servicing fee paid by the borrower to the CDC is 0.005 + 0.00125 or 0.00625 (5/8th on one percent) per annum.

COLSON will collect a minimum of 5/8th of one percent from the borrower's monthly payment for the CDC's servicing fee. Of this amount, COLSON sends 1/8th of one percent to SBA, and the remaining fee of 4/8th of one percent to the CDC.

Maximum CDC servicing fee

The current regulations specify when the CDC may charge a servicing fee larger than the minimum:

- The regulatory maximum servicing fee a CDC may charge is 2% per annum.
- A monthly servicing fee no greater than 1.5% per annum is permitted in rural areas.
- A monthly servicing fee no greater than 1% per annum is permitted in all other situations.
- If a CDC wants to charge a fee greater than 1.5% per annum in rural areas and 1% per annum in all other situations, SBA's prior written approval based on evidence of substantial need is required.

Locations	Minimum CDC Servicing Fee	Maximum CDC Servicing Fee	504 Regulatory Maximum	SBA Approval Required
Loans located in rural areas	0.0625%	1.5%	2%	Greater than 1.5%
All other loan situations	0.0625%	1%	1%	Greater than 1%

The decision to charge a higher servicing fee must be made at the time of Loan application. The servicing fee may not change after the Loan has been closed.

CDC servicing fees

Calculating the amount of servicing fee income

Calculation of CDC monthly servicing fee income

Here is how to calculate the CDC monthly servicing fee *income*, assuming the borrower is current on the 504 Loan at the five-year anniversary interval. Remember, the servicing fee income received by the CDC is after COLSON deducts the 1/8th of one percent Development Company Guarantee Fee for loans approved on or after October 1, 1996.

$$\frac{\text{CDC Servicing Fee in decimals}}{360} \times 30 \times \text{Principal} = \text{CDC Monthly Servicing Income}$$

Example of Monthly Servicing Fee Income
for
Payments 1 – 60

Original Principal Balance: \$374,000

$$\frac{0.00625}{360} \times 30 \times \$374,000 = \$194.79$$

Example of Monthly Servicing Fee Income
for
Payments 61 – 120
(loan current at first 5-yr anniversary interval)

Principal Balance: \$327,022.11

$$\frac{0.00625}{360} \times 30 \times \$327,022.11 = \$170.32$$

CDC servicing fees

Options for a CDC to receive servicing fee income

What options are there for a CDC to receive its servicing fees?

By Check

- For all borrower payments posted on the first or second business day or made by ACH debit, COLSON mails a check and statement to the CDC on the second business day of the month.
- For borrower payments made by any other method, COLSON mails a check to the CDC every Friday for payments received through Thursday of that week.
- A check is mailed the last business day of the month for any servicing fees received on borrower payments between the last Thursday of the month and the last business day of the month.

By ACH Credit

- The CDC may receive monthly servicing fee income electronically through ACH credit transaction if it completes an ACH Credit Form and mails it to COLSON.
- All CDC fee payments are sent via ACH, not just borrower payments made via ACH debit. The CDC will receive ACH credit on fees from borrower payments made via ACH debit or posted the first or second business day of the month. Any borrower payments made through wire transfer of funds or by check and posted after the second business day of the month are sent by COLSON in the form of a check.
- An ACH credit payment is made within 48 hours. The CDC can download the statement from the COLSON website. Colson does not mail statements to the CDC.

Note: 504 and 503 payments may not be made using Pay.gov.

CDC servicing fees

ACH Credit Form

AUTHORIZATION AGREEMENT FOR PREAUTHORIZATION PAYMENT (ACH Credits)

COMPANY NAME _____ COMPANY I.D. NUMBER _____

I (we) authorize **COLSON SERVICES CORP** Hereinafter called COMPANY, to initiate credit entries

(3)

Checking Savings account (select one) indicate below and the depository named below, hereinafter called DEPOSITORY, to credit the same to such account.

(4)

(5)

Depository Name

Branch

(6)

(6)

(6)

City

State

Zip

(7)

(8)

TRANSIT/ABA NO. _____ **ACCT NO.** _____

This authority is to remain in full force and effect until COMPANY has received written notification from me (or either of us) of its termination in such time and in such manner as to afford COMPANY and DEPOSITORY a reasonable opportunity to act on it.

NAME (S) _____

DATE _____ **SIGNED X** _____ **SIGNED X** _____

CDC NO. _____ **(12)**

CDC ADDRESS _____

Name of Account	101
Address	_____ 20 _____
Pay to the Order of	_____ \$ _____ Dollars
<i>Small Business Bank</i>	
<i>City State Zip Code</i>	
For: <i>CDC ACH Credit for Servicing Fees</i> _____	
I : 123456789	I : 9912345678
(Transit Routing No.)	(Account No.)
	0101 (Check No.)

CDC servicing fees

Instructions for filling out the ACH Credit Form

Table 5-3: ACH Credit Form Instructions		
Number	Information Requested	Instructions for filling out the ACH Credit Form
(1)	Company Name	Enter the legal name of your CDC.
(2)	Company ID Number	Enter the CDC number. Example 01-001
(3)	Type of Account	“X” whether this is a checking or a savings account
(4)	Depository Name	Enter the name of the bank where the account is held.
(5)	Branch	Enter the name of the bank branch where the account is held.
(6)	City, State & Zip Code of Branch	Enter the city, state and zip code of the bank branch.
(7)	Transit/ABA No.	Enter the bank’s transit/ABA number. This number is on the bottom of a check. It is the 9-digit number between “1 : ” codes.
(8)	Account Number	Enter the account number from the account to which the funds will be wired.
(9)	Name (s)	Print or type the name(s) of the person(s) with signing authority.
(10)	Date	Enter the date the form is signed.
(11)	Signed	Signature(s) of person(s) whose name(s) is typed on line (9)
(12)	CDC No. & Address	Enter the CDC number and the CDC’s street address, city, state and zip code.

CDC servicing fees

When / Why servicing fees cease

Under what circumstances would a CDC not receive servicing fees?

- When the loan is paid in full, servicing fees stop.
- When the borrower prepays the 504 Loan, servicing fees stop.
- If SBA purchases the Debenture, the servicing fees may stop. If the servicing remains with COLSON and the CDC after SBA purchases the Debenture, the CDC and SBA determine what servicing fees, if any, are paid to the CDC. As long as the CDC is involved in servicing a loan, COLSON will maintain loan records to allow for an accurate accounting of monies.
- If the borrower does not remit a monthly payment COLSON will not advance a fee payment to the CDC.

COLSON may advance servicing fees when a borrower's payment rejects

For all borrower payments made by ACH debit, COLSON automatically generates a check and statement on the second business day of the month. The check includes all servicing fees from the borrowers on ACH and any payments received since the last servicing fee disbursement.

Payment is made to the CDC on the assumption that none of the ACH payments will reject for that month.

If an ACH payment rejects or the borrower fails to make a payment immediately prior to SBA's purchase of the Debenture for that loan, the CDC must pay the servicing fee advanced by COLSON back to COLSON. The amount is either deducted from the next monthly servicing fee income check for the CDC, or the CDC must send a check to COLSON for the amount of the servicing fee income it received on the missed payment.

- If the SBA believes the CDC is not adequately performing its responsibilities, SBA can suspend CDC servicing fees until corrections are made or problems resolved.

Borrower on-going guarantee fee

Effective with 504 loans approved on or after October 13, 1995, SBA charges the borrower a fee per annum on the unpaid principal balance of the *Note* as determined at five-year anniversary intervals. In the SOP 50-10(5) page 430, 485, and 503, SBA calls this the “Borrower On-Going Guarantee Fee.” The fee was established to provide a higher income stream to help offset the subsidy rate of the 504 loan program.

This fee is factored into the total monthly payments debited from the borrower’s bank account. It is listed separately on the borrower’s *504 Note Amortization Schedule* as “SBA Fee.”

The fee is collected by COLSON and sent to SBA’s account at the Treasury Department.

Is the Borrower’s On-going Guarantee fee always the same?

At the time a 504 Loan is approved, the borrower’s on-going guarantee fee is established for the life of the loan.

However, this fee has changed annually since its inception on October 13, 1995, which means that the rate may be different for a Loan approved in fiscal year 2009 versus a loan approved in fiscal year 2008. Watch for notification regarding the amount of this rate prior to the start of each Federal fiscal year. Once the rate is established for a fiscal year, it will remain the same throughout the fiscal year unless the CDC is notified by SBA or the DCFC.

Approval Date	Borrower On-going SBA Guarantee Fee	
Prior to 10-13-95	no fee taken	0.00%
10-13-95 through 09-30-96	one-eighth of one percent	0.125%
10-01-96 through 09-30-97	seven-eighths of one percent	0.875%
10-01-97 through 09-30-98	thirty-one fortieths of one percent	0.775%
10-01-98 through 09-30-99	seven hundred twenty-nine thousandths of one percent	0.729%
10-01-99 through 09-30-00	six tenths of one percent	0.600%
10-01-00 through 09-30-01	four hundred seventy-two thousandths of one percent	0.472%
10-01-01 through 09-30-02	four hundred ten thousandths of one percent	0.410%

Approval Date	Borrower On-going SBA Guarantee Fee	
10-01-02 through 09-30-03	four hundred twenty-five thousandths of one percent	0.425%
10-01-03 through 09-30-04	three hundred ninety-three thousandths of one percent	0.393%
10-01-04 through 09-30-05	two hundred eighty-eight thousandths of one percent	0.288%
10-01-05 through 09-30-06	one-hundred ninety-two thousandths of one percent	0.192%
10-01-06 through 09-30-07	eighteen thousandths of one percent	0.018%
10-01-07 through 09-30-08	twenty-one thousandths of one percent	0.021%
10-01-08 through 09-30-09	zero percent	0.00%
10-01-09 through 09-30-10	three hundred and eight-nine thousandths of one percent	0.389%

Central Servicing Agent servicing fees

Central Servicing Agent (CSA) servicing fees

By regulation, the Central Servicing Agent, COLSON, is permitted to collect a servicing fee of 1/10th of one percent per annum on the outstanding principal balance at five-year anniversary intervals. This fee is listed separately on the *504 Note Amortization Schedule* as “CSA Fee” and factored into the monthly payments and effective interest rate on the 504 loan.

While COLSON collects the 1/10th fee from the borrower, the monies received by COLSON are determined solely by its contract with the U.S. Small Business Administration.

CSA servicing fees cease under the same circumstances as those of the CDC and SBA with one exception – early prepayments. If a borrower prepays its loan early, the CSA servicing fee is included in the prepayment amount since COLSON must continue to service the loan and report on that account up until the debenture prepayment date.

Late fees

When are borrowers charged a late fee?

When is a late fee charged?

A borrower's monthly payment is due on the first business day of the month. If the ACH debit rejects, the borrower must wire the 504 Loan monthly payment by the 15th of the month.

- If the borrower has not paid the scheduled monthly 504 Loan payment by the 15th of the month, **and** if the *Note* the borrower signed at closing has an edition date of 8-85 or after then a late fee may be charged. (The *Note* edition is located in the bottom left corner of the document.)
- If the borrower remits an amount **less** than the scheduled monthly payment.

Can a late fee be paid via ACH Debit?

No.

Are all borrowers charged a late fee?

No. The *Note* edition will determine whether a late fee is assessed. (The *Note* edition is located in the bottom left corner of the document.) This means that **some** 503 loans and **all** 504 loans have a late fee assessment.

Note editions dated 8-85 or after provide for a late fee assessment equal to the greater of 5% of the monthly payment amount or \$100. If your state has a lower cap, then state law does not determine the maximum amount a borrower may be charged. Federal law applies when SBA is the holder of the Note.

Who is notified that a late fee has been assessed?

- The CDC is sent a **LATE PAYMENT REPORT** listing any borrowers that have been assessed a late fee for that month.
- The **LATE PAYMENT REPORT** is generated on the first business day after the 15th of the month.
- Copies of the **LATE PAYMENT REPORT** are available for CDCs to download on the COLSON website. COLSON does not mail these reports to the CDC.

Is a borrower notified by COLSON that a late fee has been assessed?

No. The borrower does **not** receive a late fee notice from COLSON. It is the CDC's responsibility to notify and discuss this with the borrower. The CDC should send a late fee notification **in writing** to the borrower so that a record of written notification exists.

Late fees

How are late fees calculated?

The amount of the late fee is the greater of \$100 or 5% of the monthly payment unless applicable state law mandates a lower fee.

Example:

<u>Monthly Payment</u>	<u>5% Late Fee</u>	<u>\$100 Late Fee</u>
\$3,785.00	\$189.25	\$100.00
\$ 378.50	\$ 18.93	\$100.00

Late fees

Payment of late fees

Can late fees for a particular borrower be waived?

Yes. The late fee is income to the CDC to compensate it for its efforts to collect the monthly payment. If the CDC elects to waive the late fee, it should write COLSON a letter requesting waiver of the late fee on that Loan. The letter should state which late fee(s) should be waived for this borrower and the amount of the specific late fees that should be waived. Late fees can only be waived if the Loan is current except for the late fee(s).

Can the CDC collect a late fee directly from the borrower?

No. The borrower is **not** permitted to pay late fees directly to the CDC. The borrower must send late fees to COLSON. A CDC that accepts late fees owed on its 503 or 504 loan directly from the borrower risks being decertified by SBA.

Who receives the late fee?

The CDC receives the late fees in exchange for efforts made to collect payment from the borrower.

How are late fees paid to the CDC?

COLSON mails a check with a cover letter directly to the CDC unless otherwise instructed by SBA. This check includes all late fees applied during the previous month and is mailed during the second week of the month.

Must the borrower wire the late fee payment it owes?

A borrower has the option of paying a late fee by wiring the fee or by sending a check. If the borrower pays by check, he/she must do the following:

- Make the check payable to “COLSON Services Corp.”
- Write the 10-digit SBA loan number on the check.
- Write “Late Fee” on the check.
- The borrower may send the check directly to COLSON or the CDC may forward the borrower’s check to COLSON.
- If the CDC elects to have the borrower send it the check, the CDC must **forward the borrower’s check** to COLSON. A CDC check is not acceptable.
-

Late fees

Payment of late fees

What information needs to be on the check for a late fee payment?

- Make the check payable to “COLSON Services Corp.”

Name of Account	_____	101
Address	_____ 20__	
Pay to the		
Order of	COLSON Services Corp.	\$ _____
		_____ Dollars
<i>Small Business Bank</i>		
<i>City, State, Zip Code</i>		
For:	Late Fee for SBA Loan # xxxxxxxxxx	_____
I: 123456789 I: 9912345678 0101		

- Write “Late Fee” and the 10-digit SBA Loan number on the check.

When are late fees applied to a loan?

A late fee is only applied to a loan when the loan is completely current.

What happens if the borrower does not pay the late fee owed?

Payments are applied to late fees last, after all other amounts owing have been brought current. Even if a late fee was assessed in a prior month, the borrower's payment is applied first to servicing and guarantee fees, then to interest, then to principal and finally to late fees.

It is the CDC's responsibility to collect late fees from the borrower. If the CDC does not collect a late fee from the borrower, the late fee will remain due from the borrower and shows up on the monthly reports in the column labeled Late Fee. The amount of any late fees due are **not** included in any loan status currency.

What if the borrower sends in a payment that exceeds all monies that are due for payments and late fees?

Payments are applied first to fees, then to interest, then to principal, then to late fees. Any remaining funds are applied to a category called Unallocated Funds. They are not automatically applied to the next payment. It is the CDC's responsibility to monitor monies applied to unallocated funds on the application of funds report and notify COLSON what action should be taken.

Late fees

Reports showing late fees charged

Are late fees assessed listed on any reports from COLSON?

Yes.

- The **LATE PAYMENT REPORT** as of the 15th of the month will list payments not received for that month and whether a late fee has been assessed.
- The **STATUS OF PORTFOLIO REPORT** will show the amount of late fee(s) owed by a borrower.
- The COLSON Web Site will note late fees with an "L".

COLSON SERVICES CORP.			
09/15/07			PAGE 1 PGM-ID:FFPP300
CDC - LATE PAYMENT REPORT			
CDC NUMBER: 01-001	CDC NAME: MIND CERTIFIED DEV CO	DISTRICT OFFICE: MIND	
(1)	(2)	(3)	(4)
<u>SBA NUMBER</u>	<u>STATEMENT NAME</u>	<u>AMOUNT DUE</u>	<u>LATE FEE ASSESSED</u>
1222223010	ABC DAY CARE	2,493.77	124.69
6666663002	JASPER PUMPS	4,598.78	229.94
7777773006	SOLAR ENERGY INC	<u>4,602.78</u>	<u>230.14</u>
	CDC TOTAL	11,695.33	560.08

Reference Number	Data Fields in CDC Late Payment Report
(1)	10-digit SBA Loan Number.
(2)	Name(s) of Borrower(s) whose payments were not received by the 15 th and have been assessed a late fee.
(3)	Monthly payments not received by the 15 th and the total amount due.
(4)	The amount of the late fee being assessed on each loan that did not pay by the 15 th and total late fees assessed.

Late fees

Reports showing late fees charged

The Status of Portfolio Report shows late fees assessed.

DATE: 06/01/07 AS OF: 05/31/07 REGION: 1	COLSON SERVICES CORP. STATUS OF PORTFOLIO – 503/504 PROGRAM CDC REPORT										PAGE 2 RPT:FFLD550		
NUMBER OF MONTHS DELINQUENT = # LATE FEE ONLY = L DEFERRED = D OVER NINE MONTHS DELINQUENT = * CATCH UP PERIOD = C AUTO PAYDOWN = P FIVE YEAR BREAK = A													
STATEMENT NAME	PGM NUMBER	ISSUE DATE	MAT DATE	LAST PAID	LOAN (K)	MONTHLY PAYMENT	----REMIT TOTAL DUE BY JUN 15 TH TO BE CURRENT----				ACTUAL BAL AT MAY 31		
CDC NUMBER: 01-001	CDC NAME: MIND CERTIFIED DEV CO												
(1)													
ABC DAY CARE	3	1222223010	08/85	08/05	05/07	236	2,493.77	122.91	920.36	1,450.50	124.69	2,618.46	104,280.39 L
ASPEN INC	4	1111113005	01/92	01/12	05/07	749	6,427.95	324.83	3,943.09	2,160.03	0.00	6,424.95	616,910.32
FRANK'S AUTO	4	4444443004	12/91	12/11	05/07	182	1,620.08	79.55	1,027.71	512.92	0.00	1,620.18	150,893.36
JASPER PUMPS	3	6666663002	10/94	10/14	05/07	506	4,598.78	253.00	3,233.86	111.92	229.94	4,828.72	463,414.73 L
NEWPORT INC	4	5555553001	01/98	01/18	05/07	840	6,613.46	507.50	4,282.02	1,823.94	0.00	6,613.46	830,787.20
NOKE'S	4	4444203003	02/91	02/11	05/07	616	613.60	273.66	3,931.84	807.56	0.00	613.60	495,038.54
NOKE'S EXPANSION	4	4999993009	04/93	04/13	05/07	1,000	875.03	500.23	5,214.90	360.13	0.00	875.30	932,204.03
SOLAR ENERGY INC	4	7777773003	03/97	03/17	05/07	536	4,602.78	379.67	3,127.21	1,095.90	230.14	4,832.92	520,046.16 L
TUBS TRUCKING	4	9999993006	03/97	03/17	05/07	571	4,843.85	344.98	3,331.41	1,167.46	0.00	4,843.85	554,004.45
CDC TOTAL: 01-001			37 LOAN(S)			16,507		9,762.00		62,200.03	7,183.67	178,707.56	
						145,861.94		94,561.86					14,223,745.60

Reference Number	Late Fee Data Fields in CDC Status of Portfolio Report
(1)	Late fee: The greater of \$124.69 or 5% of the monthly payment.

Assumption fees

CDCs are permitted to charge an assumption fee not to exceed 1% of the outstanding principal balance on the 503 or 504 loan at the time of assumption.

The CDC must have written approval from SBA in order to charge an assumption fee – it is typically part of the assumption request to SBA.

However, if you are an ALP CDC or a PCLP CDC, you do not need written approval from SBA to charge an assumption fee on those loans that were approved ALP or PCLP respectively.