



Morgan Stanley

**SBA 504 FIRST MORTGAGE PROGRAM  
Loan Premiums**

**INTEREST RATE PAR SPREADS**

| INTEREST RATE INDEX    | RESET FREQUENCY                    | SPREAD |
|------------------------|------------------------------------|--------|
| 90 Day LIBOR Swap Rate | Every 90 days                      | 3.00%  |
| 3 Year Swap Rate       | Every 3 years                      | 3.00%  |
| 5 Year Swap Rate       | Every 5 years                      | 3.00%  |
| 10 Year Swap Rate      | 10 years followed by every 5 years | 3.25%  |
| 10 Year Swap Rate      | 25 years fixed for life            | 3.40%  |

- Each 0.25% in rate above the par rate earns 1% in premium
- The initial rate will be the interest rate floor
- Swap rates are published under *Libor Swaps (USD)* at:  
[http://online.wsj.com/mdc/public/page/2\\_3020-moneyrate.html?mod=topnav\\_2\\_3010](http://online.wsj.com/mdc/public/page/2_3020-moneyrate.html?mod=topnav_2_3010)

**PREPAYMENT PENALTY OPTIONS**

| PREPAYMENT PENALTY   | QUARTERLY ADJUSTABLE | 3 & 5 YR RESETS | 10 YR RESET & FIXED |
|--|----------------------|-----------------|---------------------|
| Declining 5%, 4%, 3%, 2%, 1%                                   | 1.00%                | Required        | Not Available       |
| Flat 5% for first 5 Years                                      | 1.50%                | .50%            | Required            |
| Declining 7%, 6%, 5%, 4%, 3%, 2%, 1%                           | 1.75%                | .75%            | .25%                |
| Flat 5% for years 1-6, declining 4%, 3%, 2%, 1% for years 7-10 | 2.00%                | 1.00%           | .50%                |
| Declining 10%, 9%, 8%, 7%, 6%, 5%, 4%, 3%, 2%, 1%              | 2.50%                | 1.50%           | 1.00%               |
| Flat 10% for first 10 years                                    | 3.50%                | 2.50%           | 1.50%               |

- Borrower may make annual additional principal reductions without penalty up to 20% of the original note balance.
- The referring lender retains any origination fee. Note, Morgan Stanley will keep .50% to pay the SBA participation fee.
- Lenders who fund at least \$5 million in a calendar year will receive an annual volume incentive.

**PREMIUM EXAMPLE FOR \$1 MILLION SBA 504 FIRST MORTGAGE LOAN**

| DESCRIPTION        | OPTION                                  | PREMIUM |
|--------------------|---|---------|
| Interest Rate      | 10-year swap + 4.40% (fixed for life)   | 4.00%   |
| Prepayment Penalty | 10%, 9%, 8%, 7%, 6%, 5%, 4%, 3%, 2%, 1% | 1.00%   |
| Total Premium      |   | 5.00%   |

- The premium cannot exceed the first year's prepayment penalty %.
- A 365/360 rate accrual basis is required. The premium will be reduced by .50% if another basis is used.
- Only banks, thrifts and other regulated lenders are eligible to earn loan premiums.

**FOR MORE INFORMATION CONTACT:**

**KEN ROSENTHAL**  
 Sr. Advisor – Lending, Education and Training  
 858.967.7817  
[krosenthal@cdcloans.com](mailto:krosenthal@cdcloans.com)  
 CDC Capital Markets  
 2448 Historic Decatur Rd #200, San Diego, CA 92106



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## SBA 504 FIRST MORTGAGE PROGRAM

Available through CDC Capital Markets

### LENDER BENEFITS

- Sell 100% of the first mortgage on SBA 504 loans
- Increase liquidity and capital
- Premium income
- Regulatory relief by minimizing real estate loans
- Ability to offer more competitive rates and terms

### PROGRAM PARAMETERS

- First mortgage up to \$2,500,000
- 25 year fully amortizing
- Morgan Stanley to provide both direct table funding as well as purchasing loans funded by selling banks

### ELIGIBLE BUSINESSES / COLLATERAL

- Multi-purpose - office, warehouse, light industrial, retail, manufacturing, medical or dental office, research and development facilities
- No special-purpose properties - gas stations, car dealers, hotels, restaurants, car washes, bowling alleys, etc.

### COLLATERAL COVERAGE

- Real estate - maximum 60% loan-to-value
- Require appraisal provided by first mortgage lender

### CASH FLOW COVERAGE

- Generally consistent with CDC's "global cash flow method"
- Require cash flow coverage (available cash flow-to-debt service) of 1.2x in the last FYE and interim
- Require cash flow coverage excluding tenant sub-leases of 1.0x (tenant sub-leases to contribute no more than 20% of minimum available cash flow)
- Require written explanation for any material projected margin expansion
- Require written explanation for any non-recurring expenses added to available cash flow

### PERSONAL CREDIT

- No personal bankruptcies or foreclosures (no exceptions)
- Require FICO score of at least 680
- Require written explanation for any tax liens and/or tax judgments, including action plans and remediation timeline
- Require written explanation for any derogatory marks on credit in last three years