

(1) Debenture Pools, including the CDC obligors and the interest rate payable on the Debentures in each Pool;

(2) Certificates issued or transferred, including the Debenture Pool backing the Certificate, name and address of the purchaser, price paid, the interest rate on the Certificate, and fees or charges assessed by the transferor; and

(3) Brokers and dealers in Certificates, and the commissions, fees or discounts granted to the brokers and dealers;

(e) Receive semi-annual Debenture payments and prepayments;

(f) Make regularly scheduled and prepayment payments to Registered Holders of Debentures or Certificates; and

(g) Assure before any resale of a Debenture or Certificate is recorded in the registry that the seller has provided the purchaser a written disclosure statement approved by SBA.

#### **§ 120.954 Central Servicing Agent.**

(a) SBA has entered into a Master Servicing Agreement designating a Central Servicing Agent (CSA) to support the orderly flow of funds among Borrowers, investors, CDCs, and SBA. The CDC and Borrower must enter into an individual Servicing Agent Agreement with the CSA for each 504 loan, constituting acceptance by the CDC and the Borrower of the terms of the Master Servicing Agreement.

(b) The CSA has established a master reserve account. All funds related to the 504 loans and Debentures flow through the master reserve account under the provisions of the Master Servicing Agreement. The master reserve account shall be funded by a reserve deposit, a funding fee to be published from time to time in the Federal Register, and by principal and interest payments of 504 loans. At SBA's direction, the CSA uses the funds in the master reserve account to defray program expenses. In the event a Borrower defaults and the 504 note is accelerated, SBA shall add funds under its guarantee to ensure the full and timely payment of the Debenture which funded the 504 loan. The CSA shall pay to the CDC servicing each loan the interest accruing in the master reserve account on loan payments made by each Borrower between the date of receipt of each monthly payment and the date of disbursement to investors. The CSA may disburse such interest periodically to CDCs on a pro rata basis. SBA may use interest accruals in the account earned prior to October 1991 on such payments (not previously distributed to the CDCs) for 504 program administration.

#### **§ 120.955 Agent bonds and records.**

(a) Each agent (in §§ 120.951–120.955) must provide a fidelity bond or insurance in such amount as necessary to fully protect the interest of the government.

(b) SBA must have access at the agent's place of business to all books, records and other documents relating to Debenture activities.

#### **§ 120.956 Suspension or revocation of brokers and dealers.**

The AA/FA may suspend or revoke the privilege of any broker or dealer to participate in the sale or marketing of Debentures and Certificates for actions or conduct bearing negatively on the broker's fitness to participate in the securities market. SBA must give the broker or dealer written notice, stating the reasons therefore, at least 10 business days prior to the effective date of the suspension or revocation of ADC status. A broker or dealer may appeal the suspension or revocation made under this section pursuant to the procedures set forth in part 134 of this chapter. The action of the AA/FA shall remain in effect pending resolution of the appeal. SBA may suspend or revoke of the opportunity for a hearing under part 134 of this chapter.

#### **Closings**

#### **§ 120.960 Responsibility for closing.**

The CDC is responsible for the 504 Loan closing. The Debenture closing is the joint responsibility of the CDC and SBA.

#### **§ 120.961 CDC closing fees.**

(a) The CDC may charge the Borrower an amount sufficient to reimburse it for reasonable legal fees related to closing the 504 loan. The legal fees and other professional fees and closing costs are administrative costs eligible for reimbursement from the debenture proceeds.

(b) The CDC may charge a finder's fee of up to 1.5 percent of the 504 loan if the CDC secured the lender for the Borrower under a written contract. Either the Borrower or the lender may pay the fee. It may not be reimbursed from the Debenture proceeds.

#### **§ 120.962 Construction escrow accounts.**

The CSA, title company, or bank may hold Debenture proceeds in escrow to complete Project components such as landscaping and parking lots, and acquire machinery and equipment if the component or acquisition is a minor portion of the total Project and has been contracted for completion or delivery at a specified price and specific future date. The escrow agent must disburse

funds upon approval by the CDC and the SBA, supported by invoices and payable jointly to the small business and the designated contractor.

#### **Servicing and Post-Closing Fees**

#### **§ 120.970 Servicing of 504 loans and Debentures.**

The CDC must service the 504 loan in accordance with the Loan Authorization, these regulations, SBA policies and procedures, and prudent lending standards until paid in full, including review of the small business's financial statements, tax filings, insurance, and security filings. CDCs must comply with the provisions of § 120.513. In addition, the CDC must comply with the servicing requirements set forth in SBA's SOP. The CDC must report promptly to SBA any adverse trend, condition or information. Upon request by a CDC, SBA may agree to defer a Borrower's monthly payment. SBA may negotiate agreements with CDCs to liquidate loans.

#### **§ 120.971 Post-closing fees paid by Borrower.**

(a) *CDC fees.* CDCs may charge the following fees to the Borrower:

(1) *Service fee.* A service charge of not less than 0.5 percent nor more than 2 percent per annum on the outstanding balance of the 504 loan measured at 5 year anniversary intervals. A service charge in excess of 1.5 percent in a Rural Area and 1 percent everywhere else requires SBA's prior written approval, based on evidence of substantial need. The CDC's monthly service fee shall be paid only from loan payments received. The fees may be accrued without interest and collected from the CSA when the payments are made;

(2) *Late fees.* Payments received after the 15th of each month may be subject to a late payment fee of 5 percent of the late payment or \$100, whichever is greater, collected by the CSA on behalf of the CDC; and

(3) *Assumption fee.* Upon SBA's written approval, a CDC may charge an assumption fee equal to no more than 1 percent of the outstanding principal balance of the loan being assumed.

(b) *CSA fees.* The CSA may charge an initiation fee on each loan and a monthly service fee under the terms of the Master Servicing Agreement.

(c) *Other agent fees.* Agent fees and charges necessary to market and service Debentures and Certificates may be assessed to the Borrower or the investor. The fees must be approved by SBA and published periodically in the Federal Register.