

327 Increases to Approved 504 Projects

NADCO is presenting the following information to assist CDCs in working with their borrowers and third party lenders on cost overruns for existing approved 504 projects.

- A. **For 504 projects approved 12/27/2020 through 9/30/2021**, no increases allowed to either the TPL portion or the 504 portion. These projects were approved with fee waivers on both the TPL loan and 504 loan and all authority for fee waivers was exhausted and expired on 9/30/2021 preventing any increases to these loan amounts. If you have a cost overrun on a project approved in this time period, SBA will consider the following options –
1. Borrower can fund any cost overruns with additional borrower contribution.
 2. Borrower can obtain outside financing for any cost overruns (i.e., companion SBA 7(a) loan, conventional loan, etc.)
 3. Borrower can cancel existing 504 approval authorization and reapply for a new replacement 504 project with the increased project costs – borrower will lose all fee waivers and section 1112 payments authorized with the original 504 project approval.
 4. Borrower can apply for a second 504 project for the amount of the cost overruns. The TPL loan will be in 3rd lien position and 504 portion will be in 4th lien position. Once CDC receives approval authorization for the second 504 project, CDC can process a 327 action with SLPC to request SBA subordinate the original 504 loan from 2nd lien position to 3rd, allowing the TPL portion of the second 504 project to move up to 2nd lien position.
- B. **For 504 projects approved 9/28/2020 through 12/26/2020**, no increase to the 504 loan amount allowed, but increases can be allocated to the TPL loan and borrower contribution. Options A. 1.-4. as outlined above are also available. Authority cap for the regular 504 loan program (purchases and 504 debt refi with expansion) was exhausted, and no funds remain for increases to 504 loans.
- C. **For 504 projects approved prior to 9/28/2020**, no increase to the 504 loan amount allowed, but increases can be allocated to the TPL loan and borrower contribution. Options A. 1.-4. as outlined above are also available. The 504 loans for these projects have been allocated section 1112 payments that will be received after the loan closes and funds preventing increases to the 504 loan amount.

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