



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

August 9, 2012

The Honorable Jim DeMint  
United States Senator  
1901 Main Street, Suite 1475  
Columbia, South Carolina 29201

Dear Senator DeMint:

Thank you for your recent inquiry on behalf of Mr. Barry Carroll regarding his concern with the semiannual payment dates related to a U.S. Small Business Administration (SBA) 504 loan to his business, Ashley Inn Bed and Breakfast (AIB).

According to Agency loan records, on September 6, 2001, the Agency approved a request for a SBA 504 loan in the amount of \$437,000 to AIB from South Carolina Certified Development Corporation (SCCDC), an Agency Certified Development Company (CDC). Under the Agency's rules, a SBA CDC is required to process, service, and if need be, liquidate its SBA guaranteed loans in a manner consistent with sound commercial lending practices. In this case, SCCDC is responsible for the servicing of this 504 Loan.

Based on Mr. Carroll's letter to you, he is questioning the semiannual payment dates. Under the SBA 504 Loan Program, the fixed-rate funds that are made available to borrowers are from the sale of the Agency's 100-percent guaranteed development company participation certificates that are sold to investors through underwriters. These debentures are amortized semi-annually over the same 10 or 20-year period as the 504 loan. In addition, if the debenture that financed the loan is prepaid, it is a requirement that the investor be prepaid in whole at the next semi-annual date and that a prepayment premium be added if the debenture is prepaid within a certain timeframe. Mr. Carroll would have received documentation at closing that would indicate that the 504 loan could be paid off on two dates during a year. If Mr. Carroll has questions regarding SBA servicing rules and procedures or the CDC's adherence to these, he may contact Mr. Lance Sexton SBA Little Rock Commercial Loan Servicing Center Deputy Director at (501)324-5871, extension 318.

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We appreciate your support of the SBA and the South Carolina small business community. If you and your staff have further questions, please contact the SBA Office of Congressional and Legislative Affairs at (202) 205-6700.

Sincerely,

John A. Miller  
Director  
Office of Financial Program Operations

cc: Lance Sexton, SBA Little Rock Commercial Loan Servicing Center