INSTRUCTIONS FOR USE OF
SBA FORM 147, 7(a) NOTE

SBA is issuing a new version of its 7(a) Note. You must use it beginning November 15, 1998.

For an analysis of the changes to the 7 (a) Note, refer to the Overview of 1998 Changes to SBA 7(a) Note, 504 Note, and Guarantees.

A. Mandatory Use. You must use the Note for all SBA 7(a) loans, including LowDoc loans - except SBA Express. You may not use any other note after November 14, 1998. You do not have to re-execute notes signed before November 15, 1998 using the old Form 147. You may use your own notes for SBA Express.

B. No Alterations. You may not alter the text or make any additions except to insert information required to complete the form.

C. Insertions. You must fill out the form where indicated, including payment terms and state-specific language that appears in the Authorization. You must complete the terms in accordance with the Authorization.

D. Choice of Law. You must not insert choice-of-law provisions into the Note. If you include choice-of-law text in the loan agreement, the agreement must state that federal law applies when SBA holds the Note.

E. Information Grid. Fill out all spaces in the information grid at the top of the front page of the Note. Most information for the grid will come from the Authorization. The information must be consistent in all documents--Authorization, Note and Guarantees.

1. SBA Loan Number. Copy from the Authorization.

2. SBA Loan Name. The term “SBA Loan Name” is new. This must be the same as in the Authorization.

The SBA Loan Name is the first available name from the following list:
   a. The “dba” name (trade name) of the Operating Company
   b. The actual (legal) name of the Operating Company
   c. The “dba” name (trade name) of the Borrower
   d. The actual (legal) name of the Borrower

If there is more than one Borrower or Operating Company, use the first Borrower or Operating Company listed in the Authorization and apply the above rules.

3. Date. This is the date the Note will be signed.

4. Loan Amount. Insert, in numbers only, the principal amount of the loan.

5. Interest Rate. Insert the interest rate (for fixed-rate Notes). For variable-rate Notes, insert language such as “Variable” or “Prime rate plus 2.0 %.”

6. Borrower. Insert all Borrower names. DO NOT INCLUDE DBAs here. All Borrower names in the information grid must be the same as in the signature block.
7. **Operating Company.** If the borrower is an Eligible Passive Company (EPC), insert the legal name of the Operating Company here. **DO NOT INCLUDE DBAs.** If there is no Operating Company, insert N/A. If the Operating Company is a co-borrower, insert the name of the Operating Company in the Borrower block and the Operating Company block.

8. **Lender.** Insert the name of the Lender.

F. **Amount.** In paragraph 1, write in the amount of the Note in words, such as “One Hundred Ninety-Two Thousand and No/100.” This must be the same as the Loan Amount in the grid above.

G. **Payment Terms.** In paragraph 3, insert all the payment terms required by the Authorization.

H. **Late Fees.** If you want to charge a late fee, you may select the late fee option in the Authorization and insert the late fee provision in the Note in the payment terms.

SBA’s policy on late fees is as follows:

- Add late charges to the regularly scheduled payment amount due on the Note.
- Do not add late charges to the principal.
- Failure to pay late charges is not a default. You cannot accelerate the amount due under the Note solely because a Borrower does not pay a late charge.
- SBA will not pay late charges and is not responsible for collecting them.
- If SBA purchases the guaranteed portion of a loan and you continue servicing, you may only collect late charges after SBA has been paid in full.
- You may not assess any additional late charges after SBA purchases the loan.
- The late charge is the property of the Lender and may not be shared with the investor if the loan is sold on the secondary market.

I. **Signatures.** You must create the signature block at the end of the Note. The signature block must include the legal name of the individual or entity signing the Note and, where applicable, the name and title of the authorized representative who will execute the document on its behalf. For instructions on how to complete an enforceable signature block that complies with applicable state law, consult with your attorney.