



## What is the SBA 504 Program?

The SBA 504 loan program provides funding for small businesses to cover costs associated with fixed assets, usually Real Estate. For businesses that qualify, this government-guaranteed program provides up to \$5 million loans.

<p><b>WHO CAN QUALIFY?</b></p> <ul style="list-style-type: none"> <li>• Most for-profit, owner-occupied small businesses in the U.S.</li> <li>• Net worth less than \$15.0 million</li> <li>• Net profit after tax (2 year average) of no more than \$5.0 million (including affiliates)</li> <li>• Manufacturers with 500 or less employees (including affiliates)</li> </ul> <p><b>ELIGIBLE USE OF FUNDS</b></p> <ul style="list-style-type: none"> <li>• Land</li> <li>• Acquisition of Existing Building</li> <li>• New Construction</li> <li>• Fixed Assets from Business Acquisition</li> <li>• Building Expansion/Renovation</li> <li>• Long-Term Equipment</li> <li>• Professional Fees</li> <li>• Lender's Interim Points &amp; Interest</li> <li>• Debt Refinance (Expansion Projects – debt refi may not exceed 50% of the new expansion costs)</li> </ul> <p><b>INELIGIBLE USE OF FUNDS</b></p> <ul style="list-style-type: none"> <li>• Working Capital</li> <li>• Inventory</li> <li>• Goodwill Assets from Business Acquisition</li> <li>• Franchise Fees</li> <li>• Tenant Improvements</li> </ul>	<p><b>BORROWER'S INJECTION</b></p> <ul style="list-style-type: none"> <li>• 10% in most cases</li> <li>• 15% for Start-Up Businesses (less than two years in operation) or Special-Purpose</li> <li>• Properties</li> <li>• 20% if the project is both a Start-Up and Special-Purpose Property</li> <li>• Equipment-Only loans may qualify with 10% or 15% injections</li> </ul> <p><b>INTEREST RATE AND TERMS</b></p> <ul style="list-style-type: none"> <li>• Fixed-Rate - based on Treasury Rates</li> <li>• Fully-Amortized over life of loan (No Balloon)</li> <li>• Real Estate - may be 10 or 20-year term</li> <li>• Machinery &amp; Equipment - may be 10 or 20-year term (based on useful life)</li> <li>• Rate "locks-in" when the SBA funds the debenture</li> <li>• Pre-Payment Penalty- 20 Year Loan- 10 Year Pre Pay, 10 Year Loan- 5 year Pre Pay</li> </ul> <p><b>OCCUPANCY</b></p> <ul style="list-style-type: none"> <li>• 51% for existing facilities/buildings (renovations and expansions are eligible)</li> <li>• 60% for Ground-Up Construction Projects (must occupy 80% within ten years)</li> </ul>	<p><b>JOB CREATION/RETENTION</b></p> <ul style="list-style-type: none"> <li>• One job for every \$65,000 of the debenture (for most projects)</li> <li>• One job for every \$100,000 of the debenture (for manufacturers)</li> <li>• Projects are excluded from the job requirement if a Public Policy Goal is fulfilled</li> </ul> <p><b>BENEFITS FOR BORROWERS</b></p> <ul style="list-style-type: none"> <li>• Finance up to 40% of the project at a long term, fixed-rate</li> <li>• Lower equity contribution, as little as 10% of project to preserve working capital</li> <li>• Decreased risk for lenders</li> <li>• Eligible soft costs may be rolled into the project financing</li> <li>• For Expansion Projects – provides debt refinancing opportunity</li> </ul>
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### SAMPLE PROJECTS FINANCED BY 504

<p>Office Buildings (Condos) Dentists Convenience Stores &amp; Retail Printing/Copying Franchises Restaurants Suppliers/Wholesalers</p>	<p>Child/Adult/Pet Daycare Manufacturers Hotels/Motels Medical Facilities Animal Hospitals Heavy Machinery &amp; Equipment</p>
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**What is the SBA 504 loan program used for?**

Loans obtained through the SBA 504 program are typically used to pay for capital investments in tangible assets and infrastructure. Land and buildings are among the most common items these loans are used to pay for; equipment used in warehouses and machines used during manufacturing are also qualifying expenses in most cases, though. The purpose of these loans is to help start-ups and growing companies that would otherwise not be able to afford these necessary assets by providing fix-rate, long-term loans that can be paid back over time. These assets also act as the collateral used to secure the loan.

**What is the amount of an SBA 504 loan?**

The amount awarded to a business depends on how many jobs that business is projected to create in a community. Most businesses are given up to \$65,000 for every job created, but small manufacturing receives \$100,000 for each job. The maximum amount any business may receive is \$5 million, except for small manufacturers, who are eligible for \$5.5 million.

The funding for these loans usually comes from three sources. The business is expected to front 10 percent of the loans total. Private financial institutions provide 50 percent, and a government-approved Certified Development Company (CDC) makes the remaining 40 percent available.

**What is the SBA 504 loan program application process?**

The application process for an SBA 504 loan involves many forms, as one might expect a government-backed loan to. One of the first forms that must be filled out is the SBA Form 1244 – Application for Business Loan. The SBA will also ask for SBA Form 912, a Statement of Personal history, and SBA Form 413, a Personal Financial Statement, early on in the application process.