

# SBA 504

## AN INSIDER'S GUIDE



### WHAT IS THE SBA 504 LOAN PROGRAM?

Co-Lender financing designed to facilitate the acquisition of capital assets for small businesses.

### WHO CAN QUALIFY?

- Most for-profit, owner-occupied small businesses in the U.S.
- Net worth less than \$15.0 million
- Net profit after tax (2 year average) of no more than \$5.0 million (including affiliates)
- Manufacturers with 500 or less employees (including affiliates)

### ELIGIBLE USE OF FUNDS

- Land
- Acquisition of Existing Building
- New Construction
- Fixed Assets from Business Acquisition
- Building Expansion/Renovation
- Long-Term Equipment
- Professional Fees
- Lender's Interim Points & Interest
- Debt Refinance Available

### INELIGIBLE USE OF FUNDS

- Working Capital
- Inventory
- Goodwill Assets from Business Acquisition
- Franchise Fees
- Tenant Improvements

### MAXIMUM GROSS DEBENTURE (SBA PORTION)

- \$5.0 million (Typical Project)
- \$5.5 million (Manufacturers)
- \$5.5 million (if certain Green Initiative Public Policy Goal is met)
- No Maximum Limit placed on participating lender's loan portion

### INTEREST RATE AND TERMS

- Fixed-Rate - based on Treasury Rates
- Fully-Amortized over life of loan (No Balloon)
- Real Estate may be 10, 20, or 25-year term
- Machinery & Equipment - may be 10, 20, or 25-year term (based on useful life)
- Rate "locks-in" when the SBA funds the debenture

### OCCUPANCY

- 51% for existing facilities/buildings (renovations and expansions are eligible)
- 60% for Ground-Up Construction Projects (must occupy 80% within ten years)



### BORROWER'S INJECTION

- 10% in most cases
- 15% for Start-Up Businesses (less than two years in operation) or Special-Purpose Properties
- 20% if the project is both a Start-Up and Special-Purpose Property
- Equipment-Only loans may qualify with 10% or 15% injections

### PUBLIC POLICY GOALS

- Rural Development
- Women, Minority, or Veteran Owned (ownership of 51% or more)
- Revitalizing Economic Development Areas
- Enhancing Economic Competitiveness
- Expanding Exports
- Areas impacted by Federal Budget Cutbacks
- Projects that reduce energy consumption by at least 10 percent (Green Initiative – eligible for \$5.5 million debenture)
- Projects that generate renewable energy or fuels, such as biofuels (Green Initiative - eligible for \$5.5 million debenture)

### JOB CREATION/RETENTION

- One job for every \$90,000 of the debenture (for most projects)
- One job for every \$140,000 of the debenture (for manufacturers)
- Projects are excluded from the job requirement if a Public Policy Goal is fulfilled

### COSTS AND FEES

- Eligible soft costs such as appraisal and professional fees may be rolled into the project financing
- At closing, SBA requires the lender to pay a 0.50% lender fee on the first lien amount.
- SBA and CDC loan fees are included in the Gross Debenture and are paid back over the loan term.

### HEADQUARTERS

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THROUGHOUT TEXAS, NEW MEXICO  
AND ARKANSAS**



### BENEFITS FOR LENDERS

- 1st lien position and low Loan-to-Value strengthens private lender's loan portfolio
- Low injection requirement preserves borrower's working capital
- Fixed interest rate helps lenders compete for more business
- Offers creative financing to differentiate your lending institution in the marketplace
- Secondary market provides additional income opportunities
- CRA Credits on SBA portion of loan

### BENEFITS FOR BORROWERS

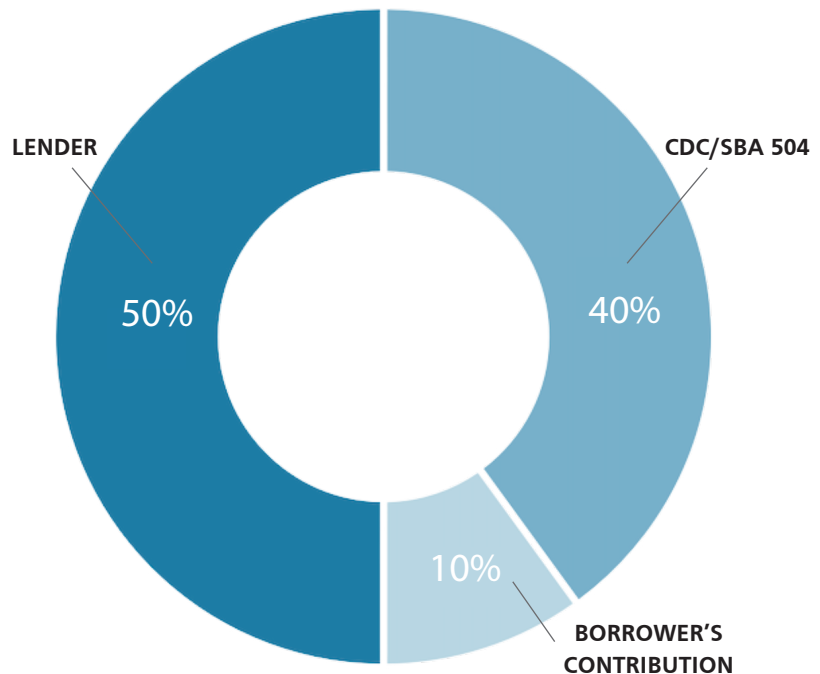
- Finance up to 40% of the project at a long-term, fixed-rate
- Lower equity contribution, as little as 10% of project to preserve working capital
- Decreased risk for lenders
- Debt refinancing available

### SAMPLE PROJECTS FINANCED BY 504

- Office Buildings (Condos)
- Dentists
- Convenience Stores & Retail
- Printing/Copying
- Franchises
- Restaurants
- Suppliers/Wholesalers
- Child/Adult/Pet Daycare
- Manufacturers
- Hotels/Motels
- Medical Facilities
- Animal Hospitals
- Heavy Machinery & Equipment



**TYPICAL SBA 504 PROJECT LOAN STRUCTURE**  
(\$1,000,000 Project Example)



### CAPITAL CDC WORKS HARD FOR YOUR APPROVAL.

Becoming the largest Certified Development Corporation in a 5-state region didn't happen by accident. We've grown and expanded because we have always been committed to delivering superior service. Both lenders and small businesses benefit from our proactive people, systems, and policies that elevate and expedite the SBA 504 loan experience. From our experienced team of Business Development Officers, to our knowledgeable and responsive underwriting and loan services professionals, all our resources are in-house and focused on our clients. We'd be happy to show you how Capital CDC can be the right resource for you and your 504 customers.