

Guide for the SBA 504 Loan Program

WHAT IS THE 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. with a net worth less than \$8.5 million and net profit after tax (2 year average) of no more than \$3.0 million.

ELIGIBLE USE OF FUNDS

- Owner occupied real estate - purchase, expansion and construction
- Purchase of long term machinery & equipment
- Fixed assets for business acquisition
- Building expansion
- Debt refinance - eligibility restrictions apply

INELIGIBLE USE OF FUNDS

- Working capital
- Inventory
- Goodwill for business acquisitions
- Franchise fees
- Tenant improvements

BENEFITS FOR BORROWERS

- SWS, FSB will finance up to 50% of the project at a long term, variable rate
- Certified Development Company (CDC) will finance up to 40% of the project at a fixed rate
- Low equity contribution helps preserve working capital
- Some soft costs may be rolled into the project financing

OCCUPANCY

- 51% for existing facilities/buildings (renovations and expansions are eligible)
- 60% for ground up construction projects (should occupy 80% within 10 years)

SAMPLE PROJECTS FINANCED BY 504

- | | | | | |
|--------------------|------------------------|--------------------|------------------|-------------------------|
| • Office buildings | • Restaurants | • Car washes | • Movie Theaters | • Suppliers/wholesalers |
| • Medical clinics | • Child/adult daycares | • Dentists | • Pet daycares | • Manufacturers |
| • Franchises | • Hotels/motels | • Printing/copying | • Funeral homes | • Mini-storages |
| | | | | • Automotive services |

LOAN SIZE

- \$500,000 - \$6,000,000 (total project cost)

TERMS

- Loan is divided into 1st and 2nd Liens
- Standard 2nd Lien Note of up to \$5,000,000 (SBA guaranteed portion)
- 1st Lien up to 25 years on commercial real estate
- 2nd Lien up to 20 years on commercial real estate
- 1st and 2nd Liens up to 10 years on equipment
- Fixed rate for the term of the loan on the 2nd Lien
- Fully amortized over life of loan (no balloon)

LOAN TO VALUE

- Up to 90%

INTEREST RATE

- SWS, FSB 1st Lien - Variable rates apply
- SBA 504 Debenture/2nd Lien - Fixed rate set by the SBA for the term of the loan

FEES

- SWS, FSB 1st Lien - Origination fee applies
- SBA 504 Debenture/2nd Lien - Set by lender and CDC/SBA

BORROWER'S INJECTION

- 10% in most cases
- 15% on start-up businesses (less than 2 years in operation) or special purpose properties
- 20% if the project is both a start-up and special purpose

RECOURSE

- Personal guarantees required for all individuals owning 20% or more
- Corporate guarantees may be required for affiliated companies