

Guide for the SBA 504 Loan Program

WHAT IS THE 504 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; or manufacturer with less than 500 employees.

ELIGIBLE USE OF FUNDS

- Owner Occupied Real Estate - Purchase and Expansion
- Owner Occupied Real Estate Construction
- Long Term Machinery & Equipment
- Fixed Assets for Business Acquisition
- Building Expansion
- Start Ups

OCCUPANCY

- 51% for existing facilities/buildings (renovations and expansions are eligible)
- 60% for Ground-Up Construction Projects (should occupy 80% within 10 years)

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
- Lower equity contribution, as little as 10% of project (preserve working capital)

SAMPLE PROJECTS FINANCED BY 504

- Office Buildings
- Medical Clinics
- Franchises
- Restaurants
- Car Wash
- Child/Adult/Pet Daycare
- Suppliers/Wholesalers
- Dentists
- Printing/Copying
- Manufacturers
- Movie Theaters

LOAN AMOUNT

- \$500,000 - \$6,000,000

TERMS

- Loan is divided into 1st and 2nd Liens
- 1st Lien up to 25 Years for Commercial R/E
- 2nd Lien up to 20 years for Commercial R/E
- 1st & 2nd Liens up to 10 years for Equipment
- Fixed Rate for term of 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 CDC/SBA

BORROWER'S INJECTION

- 10% in most cases
- 15% for Start-Up Businesses (less than 2 years in operation) or Special Purpose
- 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