SBA 504 Loan Program

What is the SBA 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.
- 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 Uses 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 (Expansion Projects – debt refi may not exceed 50% of the new expansion costs)

INELIGIBLE USES 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 (Typical Project)
- $5.5 million (if certain Green Initiative Goal is met)

- Manufacturers
- No Maximum Limit placed on participating lender’s

INTEREST RATE AND TERMS

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

Occupancy

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

BORROWER 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

Job Creation & Retention

- One job for every $75,000 of the debenture (for most projects)
- One job for every $100,000 of the debenture (for manufacturers)
- Projects are excluded from the job requirement if a Public Policy Goal is fulfilled

PeopleFund.org/SBA-504-Loan
1-888-222-0017
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
- Eligible soft costs may be rolled into the project financing

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
- Eligible soft costs may be rolled into the project financing
- For Expansion Projects – provides debt refinancing opportunity

Other Fees

After approval, SBA requires the lender to pay a 0.50% lender fee on the first lien amount.

Sample Projects

- 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 Project Structure

- 50% lender
- 40% CDC/SBA 504
- 10% Borrower’s Injection

We’re Here for You.

As one of the state’s largest Community Development Financial Institutions and SBA micro-lender, we have positioned ourselves to enhance our capital access opportunities for the small business community. 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, in place and focused on our clients. We’d be happy to show you how PeopleFund CDC can be the right resource for you and your 504 customers.