



SBA 504 Loan Program

A LITTLE BACKGROUND ON THE SBA 504 PROGRAM:

- Small businesses have long been recognized as the backbone of the American economy. To support small businesses and to strengthen the economy, Congress created the U.S. Small Business Administration (SBA) in 1953 to provide a range of services to small businesses including financing. In 1958, Congress passed the Small Business Investment Act which established what is known today as the Certified Development Company Economic Development Loan Program, or the SBA 504 Loan.

THE SBA 504 PROGRAM PROVIDES AN IDEAL FINANCING OPTION FOR:

- Commercial/Industrial/Office/Retail property acquisitions where banks typically require a higher down payment, including Special-Use properties such as hotels, car washes and gas stations
- Purchase of capital equipment, including heavy machinery
- Customers that are seeking lower down payments in order to preserve cash for working capital, business acquisition, etc.
- Customers that are seeking to lock in a portion of their financing at a below-market, fixed rate for 20 years

ELIGIBLE BORROWERS:

- For-Profit businesses
- Business Tangible Net Worth not to exceed \$15.0 million; Net Profit not to exceed \$5.0 million based on two year average
- 51% occupancy for acquisition of existing real estate; 60% occupancy for new construction

ELIGIBLE USE OF FUNDS:

- Purchase vacant land, purchase or construct a building
- Modernize, renovate or expand a building
- Refinance existing debt on new construction or expansion projects
- Purchase machinery and equipment with a minimum 10-year useful life
- Fishing vessels, commercial boats and cranes
- Minimum project size: \$125,000
- Maximum project size: No Limit
- Maximum 504 Loan: \$5.0 million; \$5.5 million for Manufacturing Firms or companies that qualify for Energy Efficiency criteria

INELIGIBLE BORROWERS INCLUDE:

- Non-Profit companies
- Lending Institutions, Insurance Companies
- Speculative development
- Gambling concerns and private clubs

INELIGIBLE USE OF FUNDS:

- Working Capital
- Accounts receivable or inventory
- Mortgage broker fees
- Rolling stock

BANK PARTICIPATION:

- Minimum 10-year term on Real Estate; Minimum 7-year term on Machinery and Equipment
- Market rate and fees
- Covenants established by Bank

504 APPROVAL PROCESS: ***QUICK TURNAROUND TIME***

- As an ALP Lender, GSDC can deliver 504 loan approval 2 weeks after receipt of complete loan application

FEES FOR SMALL BUSINESS OWNER:

- Processing Fee: 2.67% of 504 Loan (financed into total debenture/SBA loan amount)
- One-time 0.5% fee paid to SBA on Bank's Participation Loan amount.
- One legal fee for loan closing and debenture funding (financed into total debenture)

OTHER REQUIREMENTS:

- Personal Guarantee required for any owner with 20% or more ownership in the Business or Real Estate



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GRANITE STATE DEVELOPMENT CORPORATION:

Granite State Development Corporation (GSDC) is a private, not-for-profit company which was established in 1982 to administer the SBA 504 Loan Program. GSDC is the most active Certified Development Company (CDC) in New England and was ranked the 6th most active CDC in the Nation for FY 2014 (out of 250 companies!). GSDC serves the States of New Hampshire, Maine, Massachusetts and Vermont.

THE SBA 504 PROGRAM: ***BELOW MARKET, FIXED RATE, 20-YEAR TERM***

- Commercial loans for businesses acquiring fixed assets
- Fixed rate below-market financing
- Financing for real estate, equipment and refinance of renovation/expansion projects
- Term of 20 years for real estate; 10 years for equipment
- The assets may be owned by a separate entity

ADVANTAGES OF SBA 504: ***UP TO 90% FINANCING***

- Long-term, below-market, fixed rate financing
- Equity requirement as low as 10% for Borrower
- Borrower can obtain up to 90% financing
- Bank can participate in larger transactions
- Bank benefits from a first lien at 50% LTV
- Bank sets its own interest rate and fees
- Borrower does not pay a deposit or any up front application fee
- Borrower receives a simultaneous, expedited closing with low legal fees

THE SBA 504 PRODUCT: ***MINIMUM BORROWER EQUITY***

- **Structure:**
 50% Bank – First mortgage/lien
 40% SBA 504 – Second mortgage/lien
 10% Borrower Equity (cash, subordinated debt, equity in real estate)
 Start-Up Business *or* Special Purpose Building requires 15% Borrower Equity injection
 Start-Up Business *and* Special Purpose Building requires 20% Borrower Equity injection

EXAMPLE:

	BANK	SBA/GSDC	BORROWER	TOTAL
LOAN AMOUNT	\$500,000	\$400,000	\$100,000	\$1,000,000
% OF PROJECT	50%	40%	10%	
TERM/AMORTIZATION	10/20	20/20	EQUITY	
INTEREST RATE	MARKET	FIXED		
COLLATERAL	FIRST LIEN	SECOND LIEN		

NEW HAMPSHIRE	MASSACHUSETTS			MAINE		VERMONT
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