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NO SHORTAGE OF MONEY IN 504 LOAN PROGRAM

Small business entrepreneurs can utilize 504 Loan Program for business expansion

The 504 Loan Program is a lending program intended to promote economic development and job creation...a program that, during the economic downturn, is vital for small business owners to utilize.

When small business owners invest in their business by building, buying, or renovating real estate, they are showing a commitment to their community by ensuring the continued growth and success of their business. The 504 Loan Program offers most types of small businesses affordable financing for real estate, machinery, and equipment purchases. The program provides a steady source of new, long-term capital at a fixed rate, and frequently with only 10% down.

For a small business owner who needs more space or for someone who wishes to own instead of rent, a vacant commercial property can represent an opportunity to fulfill that need. Now is a great time, not only because prices are lower, but also because borrowers can utilize a low down payment and long-term fixed rates through the 504 Program.

The 504 Loan Program was established over 25 years ago by the U.S. Small Business Administration. The program is designed to promote economic development and works in conjunction with local banks to allow small business owners to receive up to 90% financing for the acquisition, construction, improvement, or expansion of commercial property or for acquiring heavy machinery or equipment. The program essentially consists of three key elements: 50% of the projects total cost is provided by a lending institution, usually a bank; 40% is provided

through the 504 Loan Program; and 10% equity is provided by the borrower. *(Start-up businesses and single purpose facilities require a slightly higher equity contribution.)*

The credit crisis has not frozen the 504 Loan Program and loans are still available for businesses seeking to expand. In fact, the intent of the program is to provide access to capital for small businesses that might not otherwise be available through conventional markets. When the economy is strong and access to capital is relatively easy, there is typically less demand for alternative financing. However, when traditional sources of money decline, as they have in recent months, the 504 Program becomes increasingly important as a source of long term financing.

Certified Development Companies (CDC's) are authorized to administer the program throughout the United States. More than 260 CDC's operate the program nationwide and each state has at least one. Small Business Growth Corporation is the Midwest's largest CDC. At this time, the CDC's stand ready to assist small business owners and want to get the word out that there is no shortage of money in the 504 financing program.

You can trust the 504 Loan Program to be around for the long haul. Funds for the 504 come from the sale of long term bonds each month. These bonds carry the full faith and backing of the U.S. government. Recently, new measures were taken to ensure the program is available to more businesses than ever before.

One of those measures includes raising the limit on the net worth and earnings of businesses that can qualify for 504 loans. Small businesses with a net worth of up to \$8.5 million and up to \$3 million in annual earnings can qualify, which is up from the previous limits of \$7.5 million in net worth and \$3 million in earnings. This expands the program to thousands of small businesses that would otherwise have not qualified. Companies that achieved success through the program can now come back and use it again. In addition, the fees associated with the 504 were lowered, making it more affordable for borrowers.

The future of the 504 Loan Program looks bright. President-Elect Obama has pledged the need to improve the program even more in an effort to help unlock credit for small businesses. The current lending market has created the need for alternative financing programs - and the 504 is more affordable, accessible, and necessary than ever before.

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