



# NOTES OF INTEREST

## Small Business Growth Corporation Kicks Off New Fiscal Year...

**Recovery Act providing fee waiver for new 504 Loan applicants while funding is still available...act now to take advantage of the savings!**

We can't start a new fiscal year without first acknowledging our Lending Partners. We could not have had the year we had without your unwavering support and commitment to the 504 Loan Program. For all your hard work, we thank you!

As we are wrapping up the fiscal year, let's go over where we stand. The past fiscal year has truly been one of our nation's most difficult economic periods. However, because of those circumstances, we took a good look at ways we could improve, put a focus back on the basics, and are standing even stronger today. We are more motivated than ever to re-build our local communities one business and one job at a time by administering the 504 Loan Program. We continue to be the number one 504 lender in the Midwest and our portfolio continues to grow...a feat that we are proud of.

So, let's kick off this new fiscal year...

First, we would like to go over some of the benefits that the 504 provides to both you and your borrowers. You may already know how the 504 reduces your risk with a lower loan-to-value ratio and first lien position on project property. However, don't forget...the 504 allows you to set your terms for the bank portion of the loan and fulfills CRA goals. In addition, Growth Corp takes care of all the paperwork and has accreditation with the SBA to get loans processed quicker. So, go ahead and give your borrower the long-term, below-market, fixed interest rate they're looking for. While you're at it, you'll also be taking advantage of the many lender perks of the 504.

And, speaking of your borrowers...perhaps you could expand your customer base by utilizing some of the new features of the 504? Offer the new debt refinance option to those borrowers that may currently be locked into an eight or nine percent interest rate, but who are now looking to purchase some new equipment or expand their facility. In addition, borrowers can qualify for higher 504 amounts through the SBA's new energy efficiency standards. Why not remind those borrowers looking to build or remodel that they can qualify for higher 504 amounts to finance their project by ensuring they meet energy efficiency guidelines. And, the 504 allows borrowers to lock in these incredibly low rates for 20 years.

Second, we want to inform you of changes to the 504 Loan

Program. As of October 1, the SBA On-Going Servicing fee for the 504 Program increased by 0.389%. Basically, the rate increase was caused by several factors, including higher unemployment rates, higher 504 default rates, and a lower percentage of recoveries. Nevertheless, while this is a rate increase, borrowers will still be getting a below-market rate fixed for twenty years. The rate below includes this increase.

Also, the temporary fee eliminations, brought about through the Recovery Act, are only expected to last through the end of this calendar year. In the meantime, those fee eliminations are providing borrowers a savings of just over 60%. Therefore, if you have a 504 deal in the pipeline, the pending fee increase may be your incentive to get it done sooner rather than later.

And, finally, we are striving to better serve you. Without you, we would not have made the advancements that we have. Therefore, we

would like your feedback on how we can improve. Maybe you would like on-site training? Perhaps you have questions for our newsletter or ideas on ways to improve any of our publications. We want to hear any ideas you have that would allow us to improve your 504 experience. Call your loan officer today or email your ideas to [growthcorpnews@growthcorp.com](mailto:growthcorpnews@growthcorp.com).

Together, we can make the most of the 504 Program and use it for what it was intended...the fostering of further economic growth in our communities. We look forward to partnering with you in this new fiscal year!



### BEST 504

Growth Corp focuses on giving you the best 504, offering both a high-caliber staff and in-house closing attorneys that focus exclusively on the 504 Program. You can trust us to be your 504 experts. Call us today at 877- BEST 504 and see what we can do for you!

**20 YEAR FIXED  
EFFECTIVE RATE  
(servicing fees included)  
OCTOBER 2009**

**5.17%**

**10 YEAR FIXED  
EFFECTIVE RATE 4.65%**

## Success Stories

### J.C. Restoration *Bensenville, Illinois*

#### FACT:

*Section 504(b) of the American Recovery and Reinvestment Act of 2009 (ARRA) enacted February 17, 2009, amends the number of jobs that are required to be created or retained per dollar amount guaranteed by SBA by increasing such dollar amount to one job per \$65,000 of 504 loan funding.*

October 504 Rate  
**5.17%**  
10 Year  
Effective Rate 4.65%

The highly competitive restoration industry is not easy to succeed in... couple that with an unpredictable market and limited marketing opportunities (how many homeowners plan in advance for their home to be destroyed by fire or flood?) and you have a very challenging business landscape to navigate. However, with a remarkable entrepreneurial vision, Warner Cruz has taken the company his father started in 1982 to new heights. In fact, J.C. Restoration has more than doubled in size since Warner acquired it in 2002.

J.C. Restoration (JCR) is a full service disaster restoration company with the equipment, capabilities, staff, and experience to handle each claim from the moment the first call is placed until the finishing touches are complete. They have a team of specialists on call 24 hours a day, seven days a week, ready to provide building repair due to fire, water damage, or mold. The company has five specialized divisions; Emergency Services, Contents, Environmental, Mold Remediation, Reconstruction, and Large Loss. JCR can essentially do business anywhere by utilizing a mobile response unit, which is a bus that seats 45 people and is outfitted with satellite communication, computers, and office equipment. In addition, they have a semi-trailer truck capable of hauling 2,000 pieces of equipment, allowing them to completely set up shop at the site of a disaster.

The company's success, and subsequent growth, ne-

cessitated the need for more space than their Bensenville, Illinois location could provide. Therefore, Warner Cruz, JCR President, partnered with David Orr of West Suburban Bank, and Joel Herscher of Small Business Growth Corporation to finance the purchase of a warehouse in Rolling Meadows, Illinois using the 504 Loan Program. Essentially, the 504 loan provided long term (20-year), fixed-rate financing for the purchase and reconstruction of a commercial warehouse facility with 65,000 square feet of climate-controlled, secured storage and production space, as well



**Clay Lindhorst, Warner Cruz, David Orr**

as over 30,000 square feet of office space. In addition, the new, state-of-the-art facility boasts an educational/training center capable of accommodating about 100 guests. This training center allows JCR to provide educational seminars for businesses that could benefit from a greater understanding of the restoration industry. Overall, JCR's new facility allows them to better accommodate both their employees and their growing customer demand.

For a company that started with humble beginnings, J.C. Restoration is now setting the pace for disaster restoration companies nationwide. Providing the highest quality of service, using leading-edge equipment and technologies, and having a highly trained staff, JCR has all the tools to meet both their short-term and long-term business goals. For more information, visit their website at [www.jcrestoration.com](http://www.jcrestoration.com).

*Have a 504 Success Story you would like to share?*

Email it to [growthcorpnews@growthcorp.com](mailto:growthcorpnews@growthcorp.com).

**Did you know...**for an existing building, a small business must occupy 51% and may lease up to 49%. However, for a newly constructed building, a small business must occupy 60%, may lease 20% long-term, and lease 20% temporarily with the intention of using some of the 20% within three years and all within ten years.

[www.growthcorp.com](http://www.growthcorp.com)

### Closing Process



Growth Corp's Closing Team works diligently to ensure your approved projects are funded in a timely manner. As a reminder... the following documents will be required to get the closing process started:

- Appraisal
- Environmental
- Title Work
- Interim Note and Mortgage
- Organizational Docs
- Life Insurance Policies...these can be time consuming, so please plan ahead

Additional documents will also be needed to complete our closing book, but can be collected while awaiting closing or at closing. However, the above documents are necessary for our legal department to begin preparing the closing documents.

The timing of funding will then depend on where we are in the current cycle, as we are always working 30-60 days out. Here's why... once our legal department gets all the closing documents prepared, our attorneys will schedule a closing. Post-closing, the complete file is then turned over to the SBA and the loan is pooled with all the other 504 loans funded in the same month. The pool of loans are sold to investors in the form of debentures...typically on the first Tuesday of every month. The borrower's interest rate will be determined from the sale of those debentures and is based on current market conditions. Once the rate is established, the borrower will receive their amortization schedule and begin making payments to Colson Services Corporation. This corporation handles the payment processing and loan accounting for all SBA 504 loans. Keep in mind...all questions regarding the loan should still be directed to Small Business Growth Corporation.

To ensure the quickest turn-around for your borrowers, inform them of these important aspects of the 504 process and request the documents early on. For more information regarding our closing process, feel free to call us anytime.

### Debt Refinancing

Small businesses can refinance existing debt related to fixed assets if they are also looking to borrow more money to finance a real estate or equipment purchase. The original debt must be for an eligible use of 504 proceeds and the amount of debt to be refinanced must be 50% or less of the total cost of expansion. In addition, the borrowers must have been current on the existing debt for the past 12 months and the terms and interest rate on the new loan must be better than the existing loan.

If you know a business who could benefit, let them know about the program. With today's low rates, they have the potential to save some serious money while simultaneously expanding their business.

And, for those that aren't quite ready to expand, Congress is considering bill H.R. 2527, the Small Business Assistance in Debt Act, introduced by Representative Betsey Markey, D-Colo, which would allow all small businesses – not just expanding ones – to refinance commercial real estate loans through the 504 Loan Program. Essentially, business owners would have the ability to tap into their equity while getting better loan terms. In addition, banks would reduce their risk on the real estate loan. No word yet on when this legislation will move forward.



***Could your bank benefit from a 504 Training Session? With all the recent changes to the 504 Program, we would be happy to come on-site and provide team training on any issue you choose. Call 877-BEST 504 to set up your time!***

# Build Long-term Banking Relationships...

The culmination of on-going relationships is vital in the lending industry and meeting the needs of customers is key to keeping their business. The 504 Loan Program will allow you to meet the needs of your customer and continue that important relationship you have worked so hard to build. The flexibility that the program offers also enables you to reach out to customers you may not have been able to before. Consider the following:

- How many times has a small business borrower's expansion project made sense, but required a re-consideration of the lending limits?
- How about those deals that require a credit enhancement to get the loan past your committee?
- How many customers don't have a large down payment or need to preserve their working capital for the daily operation of their business?
- With a conventional loan, are you able to offer a below-market, 20-year fixed rate?

Keep in mind, the 504 also allows smaller banks to entertain larger projects because it manages liquidity by requiring the bank to advance only 50% of the project.

## Quote:

*"Since 1980, over 105,000 SBA 504 loans have been made nationwide, representing financing of over \$50 billion, and resulting in the creation or retention of over 2 million jobs."*

(Source - "Providing SBA 504 Loans Nationwide & Helping Small Businesses Every Day", 2009, National Association of Development Companies)



**Small Business**  
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### Notes of Interest FALL 2009

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