



SBA 504 LOANS

Expansion Financing For Your Business

The decision on when to expand and/or relocate your business is a difficult one. Two of the most recognized hurdles your business may face are:

- preservation of capital (“*Do I have enough cash to expand?*”); and
- finding appropriate financing (“*What’s the best deal available?*”)

Many businesses have an inability to cash-flow an expansion because they need to retain their operating capital. And, let’s face it, a bank usually wants borrowers to contribute at least 20 percent.

But, there is another way. Ask your lender about the SBA 504 Loan Program...a loan program specifically designed for growing businesses.

WHAT IS THE 504 LOAN PROGRAM?

The 504 program offers financing that covers 90% of a project’s total cost, as opposed to the 70%-80% offered with most conventional loan programs. The typical breakdown of the funds in a 504 loan is:

- 50 percent from a bank or other private lender,
- 40 percent from the SBA, and
- 10 percent from the borrower



Business owners can reduce their initial capital outlays by as much as \$1 million in some circumstances by leveraging the 504 Program’s 90 percent loan-to-cost financing.

In addition, the 504 program enable borrowers to include renovation, closing, and other soft costs along with furniture, fixtures, and equipment into the financing package.

WHAT CAN THE 504 DO FOR MY BUSINESS?

- Finance your expansion with a very low down payment thus saving your working capital
- Help you avoid future balloon payments
- Ease budget concerns
- Allow you to lock in a low, long-term interest rate
- Provide payment stability
- Help you invest in your business property
- Prevent rising lease costs
- Allow for the inclusion of eligible business expenses in the loan
- Refinance qualifying commercial mortgage debt

WILL YOUR PROJECT QUALIFY

If you answer “yes” to the following questions, your project will likely qualify for the 504 Loan Program:

1. Will the project finance fixed assets such as building construction, the purchase of an existing building and/or long-term equipment?
2. Is the business for-profit and located in the United States?
3. Does the business, including affiliates, have a tangible net worth of less than \$15 million and after-tax profits, averaged over the last two years, of less than \$5 million?
4. Will the business occupy at least 51% of the project property for existing buildings or 60% of the project property for new construction? Or, will the equipment be used for business operations?

WHAT CAN SBA 504 LOANS BE USED FOR?

Fixed asset projects such as purchasing land and improvements (*including existing buildings, grading, street improvements, utilities, parking lots, and landscaping*); construction of new facilities; modernizing, renovating, or converting existing facilities; or purchasing machinery and equipment. Proceeds can also be used to refinance existing qualified debt.

Growth Corp
877-BEST 504
www.GrowthCorp.com



Growth Corp is the Largest 504 Lender in Illinois and One of the Top Ten CDC's in the Nation.

THOUSANDS OF SMALL BUSINESS OWNERS CHOOSE SBA 504 FINANCING EACH YEAR



504 BENEFITS FOR BUSINESSES

As little as 10% down payment helps preserve working capital	Interest rates are fixed for the life of the 504 loan (20-year and 10-year), which allows for payment predictability	Financing can include closing costs, soft costs and furniture/fixtures, which minimizes out-of-pockets costs	No future balloon payments to worry about	No disruption of existing banking relationships
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TYPICAL 504 PROJECTS

- Medical facilities
- Manufacturers
- Industrial buildings
- Office buildings and condos
- Child care facilities
- Restaurants
- Animal care facilities
- Warehouses
- Assisted living facilities
- Sports arenas
- Professional offices
- Retail stores
- Mini storage facilities
- Irrigation equipment
- Grain elevators
- Printing presses
- Auto repair centers

The portion of the 504 loan funded by the SBA represents some of the least expensive financing available in the commercial mortgage industry.

Go to GrowthCorp.com for current interest rates.

CASE STUDY



CHALLENGE

A manufacturing firm had outgrown their leased facility and needed to move to a larger building. While purchasing the real estate made sense, allocating the cash for a down payment was a problem.



SOLUTION

Utilizing the 504 Loan Program, 90% of the project costs were financed thereby conserving the company's cash and preserving the necessary working capital to support continued growth.



RESULT

The combined monthly payment on the acquisition of their building is actually less than their lease payment was. In addition, the company has expanded production and increased their storage capabilities.

PROPERTY:		55,000 SF BUILDING		
Total Project Costs		\$2,500,000		
<i>Source of Funds:</i>				
	Bank	50%	\$1,250,000	
	SBA 504 (Growth Corp)	40%	\$1,000,000	
	Borrower Equity	10%	\$250,000	
DEBT SERVICE ESTIMATE:				
	AMOUNT	INTEREST RATE	TERM	MONTHLY PAYMENT
Bank*	\$1,250,000	5.00%	20 Years	\$8,249
SBA 504**	\$1,025,000	4.18%	20 Years	\$6,309
Equity	\$250,000			
TOTAL	\$2,500,000			\$14,558

*Estimated bank rate and term | **The rounded up amount does not include application fee and any miscellaneous closing costs

Growth Corp is a not-for-profit organization empowered by the U.S. Small Business Administration to marshal the 504 Loan Program to small businesses. Growth Corp is focused exclusively on local economic development, small business growth and job creation. Since 1992, Growth Corp has helped thousands of small businesses gain access to the capital they need, correlating to billions in 504 financing.

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