GROWTH CORP

PROS AND CONS

COMPARISON

SBA 504 Loan Program

	PROS	CONS	MITIGATORS
BORROWERS	• Longer repayment terms » 10-, 20- or 25-years • Low, fixed interest rates • Lower down payment requirements » typically just 10% • The financing package can include furniture, fixtures and fees • Option for refinancing commercial mortgage debt • Payment stability • No balloon on 504 • Preserves working capital	• Fees • Prepayment penalties • Single owner = life insurance • Rates are not known or locked in until the bond sale • SBA turn-around times vary depending on volume (currently taking 2 weeks) • Specific Eligibility/Qualifiers: » Limited to fixed assets only » SBA size standards » Job creation or public policy goal(s) must be met » Occupancy requirements must be met » Higher down payment for start-up/single purpose projects	• When fees are added in, the overall cost still typically falls below conventional financing, and fees are rolled-in • Prepayment penalties are only on the 504 portion: • a 5 year declining scale for a 10-yr term 504 loan • a10 year declining scale for a 20- or 25-yr term 504 loan • when combining 504 fees with first-year pre-payment penalties, the 504 is still often cheaper than just the 7a fees alone • Rates are very attractive, and are fixed with long payment-terms • Size standards are generous at <$15 million net worth and <$5 million after-tax profits • Down payment is usually 10% for existing businesses, but can go to 20% (still = to most bank down payment requirements though)
LENDERS	• Maintain relationships with existing borrowers • In many cases, the SBA 504 benefits will stop "shopping" • Payment stability • Preservation of customer working capital, preserve bank deposits • Open up other areas of financing: » manage concentration issues » manage lending limits » Rural » Special Use • Less paperwork/SBA burden for the lender • SBA is just the 504 portion, not the bank's...so that means less hoops/hurdles than SBA 7a loans • Reduce risk with » 1st lien and SBA in 2nd » bank typically 50% LTV • CRA Credits	• Giving up part of the financing • SBA turn-around times vary depending on volume • Lender does full advance during the interim period (up to 90%) • SBA limits the rate on 1st Mortgage (however, max is P+6%) • Bank loan cannot be cross collateralized with other debt ahead of the 504 • SBA policies can sometimes be tricky to navigate	• Presenting multiple options lets the borrower know the bank is looking out for them • Less Paperwork burden than 7a for lender: • 504 loans are easier on the bank because Growth Corp is responsible for handling SBA's policies, paperwork and on-going reporting • Lender can take additional collateral during interim construction period • Growth Corp helps lenders navigate SBA policies – we stay up to date so you don't have to • Growth Corp is Illinois' leader in SBA 504 lending

WHY GROWTH CORP?

Because we help get deals done. Growth Corp is the top CDC in Illinois, the largest 504 Lender in Chicago, and a top ten 504 Lender nationwide. In addition, Growth Corp has earned an Accredited Lender status with SBA, which grants us the ability to expedite the processing of loan approvals and closings.

877-BEST 504
www.GrowthCorp.com