

What Is The 504 Loan Program?

The 504 Loan Program is owner-occupied real estate and equipment financing. SBA created the 504 to provide small businesses with long-term, fixed-rate financing for the expansion of their business.

Who Qualifies?

- Most for-profit, owner-occupied small businesses in the U.S.
- U.S. Citizenship for all owners of the business (and entities) with principal residence in the U.S.
- Net worth less than \$20 million and Net profit after-tax (2 year average of no more than \$6.5 million (including affiliates)
- Will occupy at least 51% of the project property, or 60% of a new construction
- Equipment will be used for business operations

Benefits For Borrowers

- Low down payment (10% in most cases)
- Low, fixed interest rate on 504
- Long loan term
- Include soft costs
- Include leasehold improvements
- Payment stability
- Preserves working capital
- Protection from balloon payments
- Keep your lender

Benefits For Lenders

- Reduces exposure to 50%
- Bank gets first lien position
- Debt refinance for loans with high loan to-value ratios
- Preserves borrower’s working capital
- CRA credits
- Includes eligible soft costs
- Use of SBA guarantee enhances credit
- Unique marketing tool

Occupancy

- 51% for existing facilities and/or buildings (renovations and expansions)
- 60% for new construction (must occupy 80% within ten years)

Eligible Uses Of Funds

- Land
- Acquisition of an existing building
- New construction
- Building expansion or renovation
- Long-term equipment
- Refinance of qualifying debt
- Furniture and fixtures
- Leasehold improvements
- Professional fees
- Other costs such as appraisals, fees, permits, etc.

Ineligible Use Of Funds

- Working capital
- Inventory
- Goodwill assets from business purchase
- Franchise fees
- Investment in rental real estate

Typical Financing Structure

- 50% of the project’s total cost is provided by a lending institution
- 40% is provided by Growth Corp as a 504 loan
- 10% equity is provided by the applicant small business borrower *(higher equity requirements exist for start-ups or special purpose properties, the equity required will increase by 5% if one condition exists or by 10% if both)*



Interest Rate & Terms

- Fixed-rate
- Fully amortized over the life of the loan (no balloons)
- Real estate – 10, 20, 25-year term
- Equipment – 10-year term
- Rate locked when debenture is sold

Loan Amount Limits (SBA Portion)

- \$5 million (typical projects)
- \$5.5 million (manufacturers)
- \$5.5 million per project (energy initiatives met - no aggregate limit)
- No maximum lending limit on participating lender’s portion

Job Creation/Retention

- One job for every 95,000 of the debenture (for most projects)
- One job for every 150,000 of the debenture (for manufacturers and energy public policy projects)
- Projects meeting a Community Development or Public Policy Goal qualify if the CDC’s portfolio meets SBA’s job average.

Public policy goals

- Rural development
- Women, Minority, or Veteran ownership
- Enhancing economic competition
- Expanding exports
- LEED certified projects
- Revitalizing economic development areas
- Generating renewable energy
- Reducing energy consumption by at least 10%



504 Loan Process

1

Application Submission

- Initial analysis of creditworthiness
- Loan structuring
- Growth corp approval

2

SBA Approval

- Complete application signed & dated
- Submission of application to SBA

3

Interim Financing

- 504 Terms & Conditions issued
- Interim loan disbursed
- Purchase/ construction/renovation is completed

4

Closing/Debenture Sale

- Project complete -
Loan proceeds disbursed
- Growth corp closing
- Debenture is sold
- Two mortgage payments

Application Checklist

- Last three years corporate tax returns for business and affiliates (if any business in the same industry)
- Interim financial statements for business and affiliates (within 90 days)
- Schedule of debts
- Most recent aging of accounts receivable and payable
- Two-year projection of income and expenses with assumptions (if available)
- Franchise agreement (if applicable)
- Owner's personal financial statement
- Owner's last 3 years income tax returns
- Personal data sheet
- Copy of Driver's license
- Detailed breakdown of costs
- Documentation of equity injection
- Articles of Incorporation, Bylaws and/or Operating Agreement
- Real estate appraisal and environmental reports (if available)

Items To Collect Early In The Process

- Life insurance (if required)
- Real estate appraisal
- Environmental report
- It's vital to obtain these items early in the process as they can be time consuming

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

504 Debt Refinance

3 Key Points

1 - No Cash Out

Advance Rate - 90% loan to value max

2 - Cash Out

Advance Rate - 90% loan to value max

2 - Age of Loan(s)

Is the debt to be refinanced at least six months old?

Refi Checklist

All items listed above (for application checklist), plus:

- Copies of current promissory note and recorded mortgage for debt being refinanced
- Twelve-month payment history on lender letterhead detailing all payments and the current balance for the debt being refinanced.
- Detailed breakdown of original project costs (if available)
- If refinancing an existing SBA loan, please provide the Authorization or Terms & Conditions
- Real estate appraisal dated within 6 months of the application

The 504 Loan Program is partnership at its best. There's simply no other product on the market that offers entrepreneurs an affordable way to grow their business, gives banks a low-risk addition to their menu of lending solutions and promotes job growth and economic development in communities across the country. Growth Corp is a nonprofit, mission-based lender dedicated exclusively to connecting small businesses with quality expansion capital. Recognized as an Accredited Lender with SBA, a distinction only given to CDCs with exceptional performance, Growth Corp is the largest 504 lender in Illinois and a top 10 CDC nationwide.