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Advantages of SBA 504 Financing

90% Financing, Only 10% Down Payment

7(a) requires a minimum 15% down payment. On a \$1 million deal, what could your client do with an extra \$50K in his/her pocket versus part of their down payment?

No Maximum Project Size

Finance a project upwards of \$30 million under 504. 7(a) loans have a project ceiling of \$5 million.

Larger Lending Capacity

504 borrowers don't reach SBA's lending cap as quickly, which means more purchasing opportunities for additional building and equipment needs.

Appraisal Latitude

In the event an appraisal comes in at a lower value than the project, 504 has the ability to leverage some of the value gap. 7(a) cannot do this and generally requires additional collateral pledged.

No Aggregate Cap For Manufacturers and a \$16.5 Million Cap For "Green" Projects

Borrowers can secure multiple 504 loans (each project eligible for up to \$5.5 million max with no and/or limited aggregate caps) if the company is a manufacturer or the project meets SBA's green standards.

	SBA 504 Loan: Fixed-rate Commercial Real Estate & Equipment	SBA 7(a) Loan: Variable-rate General Purpose
Project Size	\$150,000 to over \$30 million	\$50,000 to \$5 million
Interest Rate	- Fixed - Fully amortized for the term of the loan - Interest rates on 504 loans are set monthly at the time of funding at an increment above the current market rate for five-year and ten-year U.S. treasury swaps - Visit rate history at www.cdclloans.com/lender/504-rate-history	- Typically variable rate adjusted quarterly - fixed rate may be offered - Fully amortized for the term of the loan - Interest rates are negotiated between the borrower and the lender subject to SBA maximums of: » the maximum spread for a loan of over \$350,000 is 3%
Terms Available & Amortization Periods	25, 20 or 10 years fully amortized - real estate and equipment loans - No balloon payments	25 years - real estate 10 years - equipment, business, acquisition 5-7 years - working capital - All loans fully amortized - No balloon payments

	SBA 504 Loan: Fixed-rate Commercial Real Estate & Equipment	SBA 7(a) Loan: Variable-rate General Purpose
Typical Loan Structure	• 50% bank loan • 40% CDC loan • 10% borrower down payment	• 85% bank loan • 15% borrower down payment
Use of Loan Proceeds	• Purchase a building • Land acquisition and ground-up construction (includes soft cost development fees) • Expansion of existing building • Finance building improvements • Purchase equipment • Refinance of conventional mortgages to SBA 504 with available cash out for eligible business expenses	• Expand, acquire or start a business • Purchase or construct real estate • Refinance existing business debt • Buy equipment • Provide working capital • Construct leasehold improvements • Purchase inventory
Loan Program Requirements	• 51% owner occupancy required for existing building • 60% owner occupancy required for new construction • Equipment with a minimum 10-year economic life	• 51% owner occupancy required for existing building • 60% owner occupancy required for new construction • All assets financed must be used for the direct benefit of the business
Collateral	• Generally, the project assets being financed are used as collateral • Personal guaranties of principal owners (20% or more ownership) are required • Outside liens not typically taken on either business or personal property	• Collateral is the subject assets acquired by loan proceeds • May require pledge of personal residence depending on the value of business assets pledged.
Loan Fees	• Fees are financed in the 504 loan • Fees are negotiated for the 50% bank loan • Servicing fee for CDC 504 plus a legal review fee	• Fees to be paid up front and out of pocket • Multi-tier fee structure depending on amount financed: » \$150k and less = 0% » \$150,001-\$700,000 = 3% of the guaranteed portion » \$700,001 to \$5MM = 3.75%

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