



What is the SBA 504 Program?

SBA CDC Lender of the Year

The 504 Loan Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land, buildings, and equipment. Typically, a 504 project includes a loan secured from a private-sector lender up to 50% of the project cost, a loan secured from MSBF (backed by an SBA-guaranteed debenture) covering up to 40% of the cost and a contribution of at least 10% cash or equity from the small business. The borrower's contribution may be greater for new businesses or special-use buildings.

How Large of Projects?

Businesses:

Debenture size: \$25,000 - \$5,000,000

*Total Project size can be significantly larger as the debenture is only up to 40% of the total project costs. For example, a \$10 Million building can be purchased with the 504, with a bank lending \$5 Million (50%), MSBF/SBA lending \$4 Million and the borrower's contribution being \$1 Million.

Use of Proceeds:

- Purchase land
- Purchase or construct a building
- Building improvements
- Long-term machinery/equipment

Criteria:

The SBA requires the creation or retention of one job for every \$65,000 of the debenture or \$100,000 for manufacturers. If job creation is not met, public policy goals may be met. Real Estate must appraise for the project cost. Please contact us regarding job creation criteria/public policy goals or appraisals.

Manufacturers:

Debenture size: \$25,000—\$5,500,000

Eligibility:

Company must operate for profit. The business qualifies as small if it does not exceed \$15 million in net worth and \$5 million net profit after taxes for 2 years. Loans cannot be made to businesses engaged in speculation or investment in rental real estate.

The 504 may be eligible for debt refinancing on a case-by-case basis.

The 504 cannot be used for working capital or inventory.

Collateral:

Generally, the project assets being financed are used as collateral. Personal guarantees of the principal owners are also required.