

SBA 504 Loan Guidelines

The SBA 504 loan program provides small businesses long-term, fixed-rate financing to acquire major fixed assets for expansion or modernization. Projects are secured by a 1st and 2nd Deed of Trust/Mortgage on General and Special Purpose commercial real estate, meeting SBA qualifications, having a maximum aggregate Loan to Value between of 90%, depending on program parameters.

Typical Project Structure:

- 50% LTV Conventional 1st DOT/Mortgage
- 40% LTV SBA/CDC 2nd DOT/Mortgage
- 10% Equity Injection

SBA 504 Program Eligibility:

- The Small Business Concern must be operated for profit and fall within the size standards set by the SBA (Tangible Net Worth LESS THAN \$7.5 million and Average Net Income DOES NOT exceed \$2.5 million after taxes for the preceding two years). Loans cannot be made to businesses engaged in speculation or investment in rental real estate.

Use of Proceeds:

- Purchasing land and improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping.
 - Construction of new facilities or modernizing, renovating or converting existing facilities.
 - Purchasing long-term machinery and equipment.
- NOTE: The 504 Program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing.**

Maximum Debenture:

- \$1,500,000 when meeting the job creation criteria or a community development goal.
- \$2,000,000 when meeting a public policy goal.
- \$4,000,000 for small manufacturers.

Debenture Rates/Fees:

- Interest rates on 504 loans are pegged to an increment above the current market rate for five-year and 10-year U.S. Treasury issues. Maturities of 10 and 20 years are available. Fees total approximately 3 percent of the debenture and may be financed with the loan.

Product Summary

Eligible Property Types:

- **Office:** Professional, Condominium, Medical, Dental and Veterinarian.
- **Industrial:** Heavy and Light Manufacturing, Warehouse and R&D Flex.
- **Retail:** General.
- **Special Purpose:** Assisted Living Facilities / Adult Care, Day Care Facilities, Restaurants, Funeral Homes and Hotels/Motels.

Maximum Loan Amount:

- 1st DOT/Mortgage – \$4,000,000
- **Up to \$6,000,000 of the Aggregate Financing Request. See SBA 504/CDC Interim Financing Program below.**

Rate Options:

- Adjustable, Three (3) and Five (5) Year Fixed Loan Terms Available.

Maturity and Amortization:

- Up to 25 years.

Maximum LTV:

- 50% LTV based upon the Lower of Cost or Appraised Value.

Minimum Debt Coverage Ratio:

- 1.25x Minimum Debt Coverage Ratio ("DCR") for the most recent FYE and Interim period. The DCR will be based on the underwritten EBITDA of the Small Business Concern.

Occupancy:

- 51% or greater must be occupied by the Small Business Concern.

Borrower /Guarantor Characteristics:

- Prior Ownership and Management Experience.
- Minimum FICO 680.

Recourse:

- All loans are Full Recourse and require the personal guarantee of any and all individuals or entities holding 20% ownership interest or more.

Interim Financing:

- Up to \$2,000,000.
- 120 Day Term.
- Variable Interest Rate based upon the published Wall Street Journal (WSJ) Prime Index + 2.75%, Interest Only, to adjust QUARTERLY.
****Funding of interim loan may be required by Lender.**

Construction Financing:

- Available for Multi-Purpose Projects. Please call for Program Information.