**SBA 504 Loan Program**

1. **Land and Building Improvements**
   1. If purchased within last two years, then value at purchase price less outstanding debt.
   2. If purchased two years or longer, then appraised value less outstanding debt.
2. **“Bridge Loan”** **(term of 3 years or less) treated as if they were not made. Assets are valued at their cost (if owned less than 2 years) or appraised value (if owned 2 years or longer).**
3. **Building and Building Improvements**
   1. Existing building – business must occupy 51% or more of the building.
   2. New and building expansions – must occupy 60% immediately and 80% within 10 years.
   3. Build out costs for unrelated third party leases are ineligible project costs.
4. **Furniture, Fixtures, Machinery and Equipment at business’ site** – Generally, 10 year useful life with less than 10 year useful life assets not exceeding 15%. Titled vehicles are ineligible, except for heavy construction equipment.
5. **Previous Project Expenditures** are eligible if **not financed for more than 3 years or paid for with cash.**
6. **Professional Fees** – appraisal, environmental, architect fees, survey and engineering.
7. **Interim Loan’s Closing Costs & Interest** – cannot include permanent loan costs and interest.
8. **Contingencies of 10% of construction costs.**
9. **“Do-it-yourself” construction** – business may be contractor, if:
   1. Business is experienced and licensed in this type of construction.
   2. Provide **2 Bids from unaffiliated contractor** at the same or lower cost.
   3. Business contractor’s bid does not include profit.
10. **Permissible Debt Refinancing with Expansion** – limited to 100% of the new investments, **AND:**
    1. **75% or more of original proceeds were used to acquire 504 costs.**
    2. **Current for last 12 months** (not more than 30 days late) through the funding date.
    3. **Refinancing an existing 504 loan** must refinance both the bank and the 504 loans.
    4. **Existing 7(a) loan may be refinanced**
    5. **Refinancing existing indebtedness relating to the Project financed**, subject to:
11. Debt on RE being improved or at **another location with the same NAICS code**.
12. Includes prepayment penalties, financing fees and other refinancing costs.
13. May refinance one or more loans.
14. **Benefits the business** – balloon payment or reduction in payment.
15. **INELIGIBLE 504 USES OF FUNDS** – working capital, operating expenses, blue sky, patents, franchise fees, other intangible assets and titled vehicles (unless heavy construction vehicles).