

SBA 504 GUIDE



WHAT IS THE SBA 504 LOAN PROGRAM

Co-Lender financing designed to facilitate the acquisition of capital assets for small businesses.

WHO CAN QUALIFY?

- Most for-profit, owner-occupied small businesses in the U.S.
- Net worth less than \$15.0 million
- Net profit after tax (2 year average) of no more than \$5.0 million (including affiliates)
- Manufacturers with 500 or less employees (including affiliates)

ELIGIBLE USE OF FUNDS

- Land
- Acquisition of Existing Building
- New Construction
- Fixed Assets from Business Acquisition
- Building Expansion/Renovation
- Long-Term Equipment
- Professional Fees
- Lender's Interim Points & Interest
- Debt Refinance Available

INELIGIBLE USE OF FUNDS

- Working Capital
- Inventory
- Goodwill Assets from Business Acquisition
- Franchise Fees

MAXIMUM GROSS DEBENTURE (SBA PORTION)

- \$5.0 million (Typical Project)
- \$5.5 million (Manufacturers)
- \$5.5 million (if certain Green Initiative
- Public Policy Goal is met)
- No Maximum Limit placed on participating lender's loan portion

INTEREST RATE AND TERMS

- Fixed-Rate - based on Treasury Rates
- Fully-Amortized over life of loan (No Balloon)
- Real Estate may be 10, 20, or 25-year term
- Machinery & Equipment - may be 10, 20, or 25-year term (based on useful life)
- Rate "locks-in" when the SBA funds the debenture



OCCUPANCY

- 51% for existing facilities/buildings renovations and expansions are eligible)
- 60% for Ground-Up Construction Projects (must occupy 80% within ten years)

BORROWER'S INJECTION

- 10% in most cases
- 15% for Start-Up Businesses (less than two years in operation) or Special-Purpose Properties
- 20% if the project is both a Start-Up and Special-Purpose Property
- Equipment-Only loans may qualify with 10% injections

HEADQUARTERS

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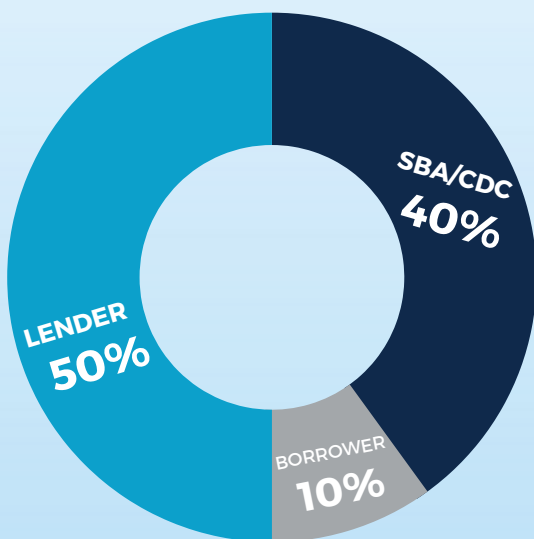
BUSINESS
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PUBLIC POLICY GOALS

- Rural Development
- Women, Minority, or Veteran Owned (ownership of 51% or more)
- Revitalizing Economic Development Areas
- Enhancing Economic Competitiveness
- Expanding Exports
- Areas impacted by Federal Budget Cutbacks
- Projects that reduce energy consumption by at least 10 percent (Green Initiative eligible for \$5.5 million debenture)
- Projects that generate renewable energy or fuels, such as biofuels (Green Initiative eligible for \$5.5 million debenture)

TYPICAL SBA 504 PROJECT LOAN STRUCTURE



BENEFITS FOR LENDERS

- 1st lien position and low Loan-to-Value strengthens private lender's loan portfolio
- Low injection requirement preserves borrower's working capital
- Fixed interest rate helps lenders compete for more business
- Offers creative financing to differentiate your lending institution in the marketplace
- Secondary market provides additional income opportunities
- CRA Credits on SBA portion of loan
- Eligible soft costs may be rolled into the project financing

BENEFITS FOR BORROWERS

- Finance up to 40% of the project at a long-term, fixed-rate
- Lower equity contribution, as little as 10% of project to preserve working capital
- Decreased risk for lenders
- Eligible soft costs may be rolled into the project financing
- Debt refinancing with Eligible Business Expenses (cash-out) available

OTHER FEES

- After approval, SBA requires the lender to pay a 0.50% lender fee on the first lien amount.

SAMPLE PROJECTS FINANCED BY 504

- Office Buildings (Condos)
- Medical Offices/Facilities
- Franchises
- Restaurants
- Logistics/Warehousing
- Child/Adult/Pet Daycare
- Manufacturers
- Gyms
- Movie Theaters
- Hotels/Motels
- Animal Hospitals
- Heavy Machinery & Equipment



JOB CREATION/RETENTION

- One job for every \$75,000 of the debenture (for most projects)
- One job for every \$120,000 of the debenture (for manufacturers)
- Projects are excluded from the job requirement if a Public Policy Goal is fulfilled