



Welcome to the 2025 Seminar Series



This is an audience participation presentation

Please take out your cell phone now.





**How would you describe
the commercial lending
landscape right now in a
word or two?**

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01

WBD Updates



WBD.

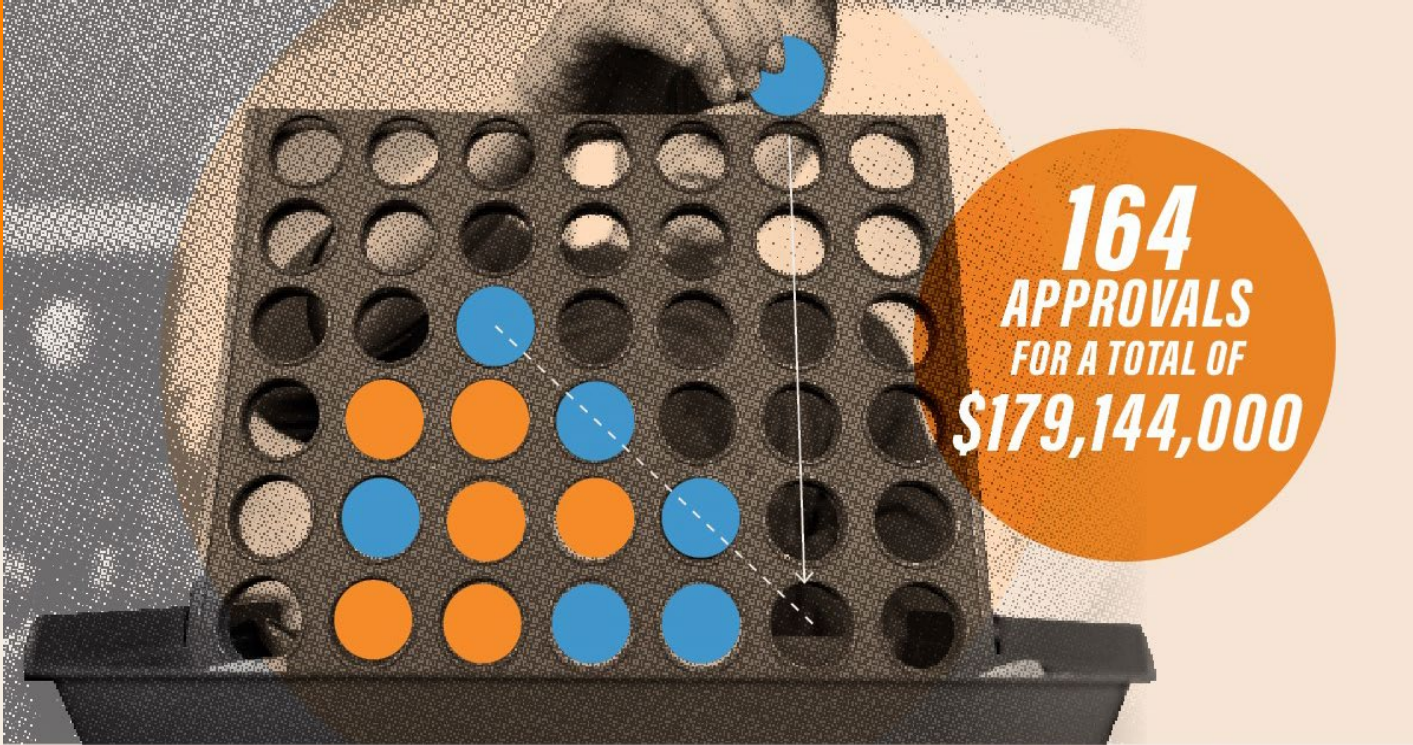


History



- ✓ Founded in 1981 as Wisconsin Business Development Finance Corporation (Now just WBD, Inc)
- ✓ Mission Driven, Non-Profit, SBA Authorized Certified Development Company
- ✓ Consistently among top 10 (of about 160) CDCs in the USA
- ✓ #9 in US in FY 2024





164
APPROVALS
FOR A TOTAL OF
\$179,144,000

***CONNECTING BUSINESSES
WITH THE CAPITAL THEY NEED***



#9 in
USA!

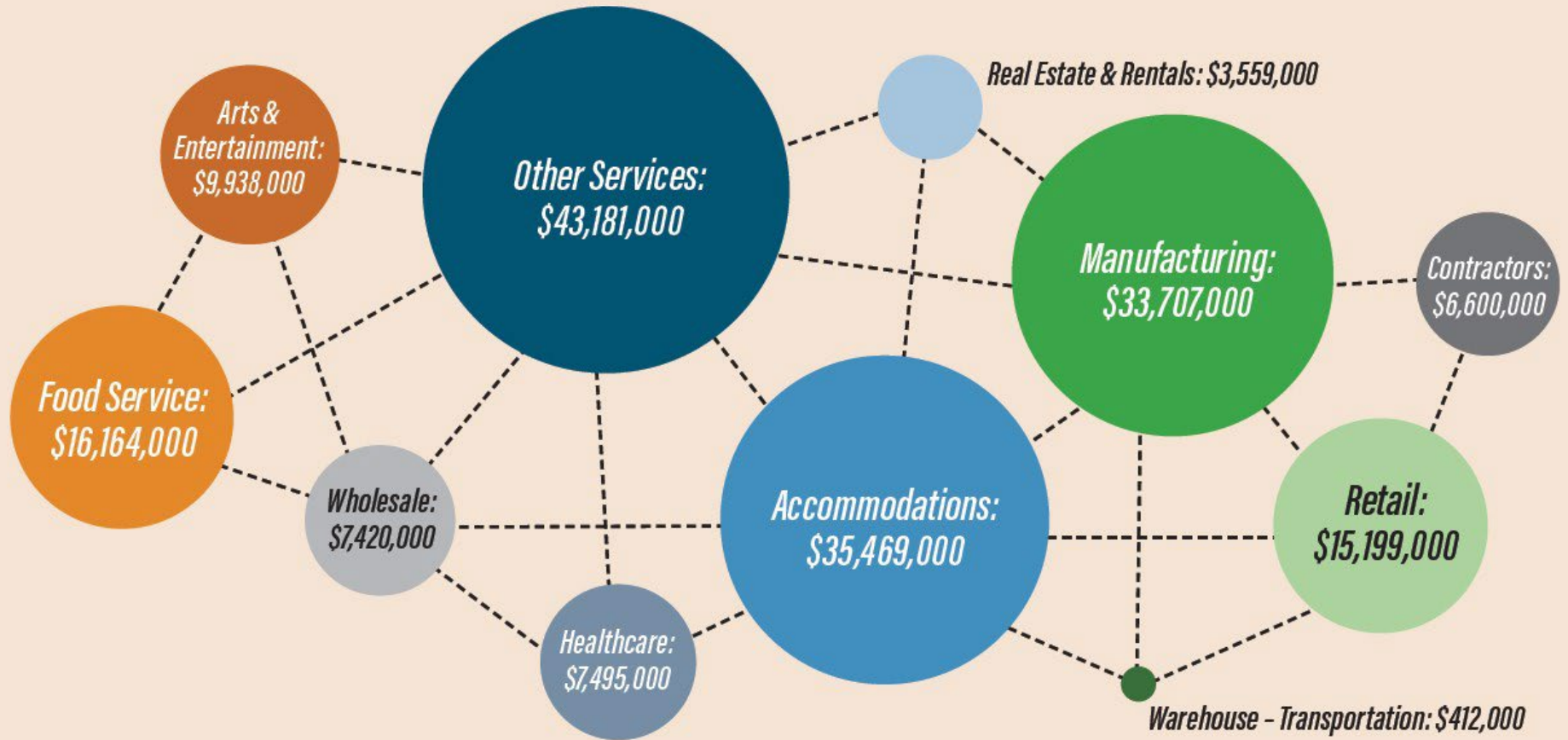
5th Best
Year of
WBD
History





**What general industry
comprised the largest
portion of WBD's 504 loan
volume in FY2024**

FY24 AUTHORIZATIONS BY INDUSTRY





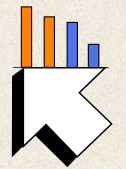
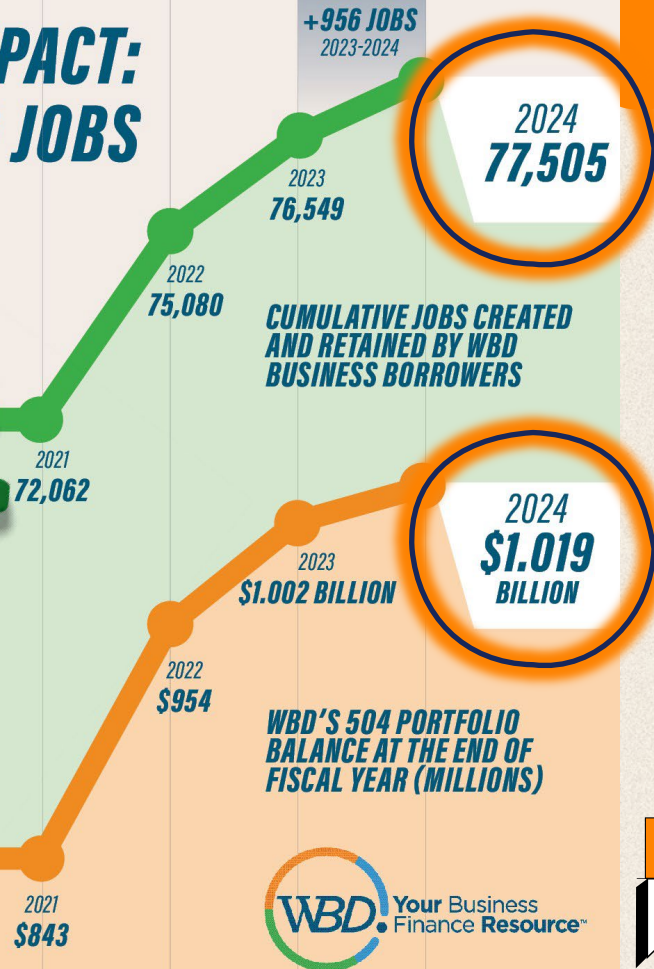
At the end of the FY2019, WBD's portfolio of active 504 loans approximated \$715 Million. What was it 5 years later- at FYE 9/30/2024?

TURNING CONNECTION INTO IMPACT: GROWING THE PORTFOLIO & CREATING JOBS

WBD's success is impactful. It is a reflection of more businesses growing and creating jobs! The approvals WBD obtained in 2024 are projected to add another 956 jobs, which is the core of our mission, and it is working.

As our success has grown so has our portfolio, now standing in excess of \$1 Billion. Our financial strength provides us the resources to take a wider view of how we can build and strengthen connections with the following communities:

- Lending Partners
- WBD Borrowers
- Economic Development & Related Organizations
- And the WBD Team Members





WBD has 5 main staff members that contribute to our Lender Services Offerings. What is their average experience (in years) in SBA lending?

WBD Lender Services

Putting over
120 years of
SBA
experience to
work for you!



Becky Schneider – 25 years+ of SBA 7(a) experience working with an SBA Preferred Lender bank and as a Lender Service Provider.
(920) 966-1483 | bschneider@wbd.org



Jill Faber – 16+ years of SBA 7(a) experience working with SBA Preferred Lender banks and as a Lender Service Provider.
(715) 598-6049 | jfaber@wbd.org



Vicki Stone – 20+ years of SBA experience in both the 504 and 7(a) program process.
(920) 966-1494 | vstone@wbd.org



Wenda Roycraft – 35+ years of experience in SBA loan program lending, operations, and process.
(920) 966-1478 | wroycraft@wbd.org



Jason Monnett – 25 years of experience in SBA lending and training.
920-966-1479 | jmonnett@wbd.org



A full range of SBA 7(a) services:

- Questions and support
- 7(a) packaging
- Customized Training
- Other SBA program support
 - File audits
 - Reporting guidance
 - Review of lender SBA policies
 - Purchase packages
 - And more

Let WBD help you build a successful SBA lending program!



WBD'S LENDER SERVICES TEAM PROVIDES SBA SERVICES AND ASSISTANCE TO HELP CLIENTS WITH SBA RESOURCES

WBD SERVICE COMPANY FISCAL YEAR 2024

WBD packaged **59** SBA 7(A) LOANS

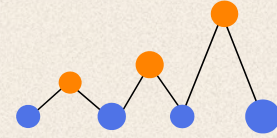
Which Supported **\$28,488,000** in new business investment

228 AND HELPED CREATE NEW JOBS

116 ACTIVE PARTNER AGREEMENTS WITH INSTITUTIONS



MAKING THE MISSION CONNECTION



Since 2020 WBD has invested over **\$2,000,000** in mission related nonprofit organizations!

NEW ECONOMIC DEVELOPMENT ASSOCIATION INVESTMENTS IN FY 24



Duluth Chamber Foundation
Duluth, MN
duluthchamber.com/foundation



Hmong American Partnership
St. Paul, MN
hmong.org



Middleton Chamber of Commerce
Middleton, WI
middletonchamber.com



Milwaukee Tech Hub
Milwaukee, WI
mketech.org



New North
Green Bay, WI
thenewnorth.com



SBDC
Madison, WI
sbdc.wisc.edu



STRENGTHENING OUR MOST VALUABLE CONNECTIONS



HALL OF FAME



STEVE PETERSON
Choice Bank



GLENN MICHAELSEN
Spring Bank



DAVE MILLS
Fortifi Bank



BILL KADRICH
CIBM Bank



LUKE HAGEL
Summit Credit Union



DARREN PARKER
CoVantage Credit Union



FY 2024:
WBD worked with 74
Financial Institution and
35 First time Lenders



The Elite Lender Golf Outing is Back!



Elite Lenders have at least 10 SBA 504 Approvals. Ask your loan officer how close you are!

September 8, 2025
Golf and dinner at Lawsonia
Overnight at The Heidel House



The Champ



The Hall of Famers



WBD has honored 9 more Elite Lenders in the past year. With this addition how many WBD Elite Lenders are there?

Spreading the Word About the 504!



THINK BIG
& Grow Your Business With a 504 Loan!

Ask your banker about a 504 loan and get low down payments and long-term fixed rates!


FIND OUT MORE



WBD Insights MAY 2025

May 2025 504

Your Business Finance Resource




THE INSIDE SCOOP
WITH WBD LOAN OFFICER TYLER SWENSON

HIGHER 504 LOAN LIMITS ARE AVAILABLE FOR MANUFACTURERS AND GREEN ENERGY PROJECTS


Do you have a borrower that is running up against the SBA exposure limits of \$5,000,000? If so, the SBA 504 loan program can help. Manufacturers, or other types of businesses that can meet one of SBA's Green Public Policy Goals, can access additional funding under the 504 program.

Read More



WBD Inc.
2,546 followers
2mo · 🌐

A very special thank you to **Rob Wyman** and the **IncredibleBank** team for joining us to help celebrate Rob as a new **WBD Inc.** Elite Lender. Rob is now part of our Elite Lender team because he has partnered with us on ten **U.S. Small Business** ...more



You and 56 others · 5 comments

Like · Comment · Repost



GET SMART

Upgrade and Automate Your Business With a 504 Loan!

Tell your banker that a 504 loan can include equipment installation costs!

FIND OUT MORE



And that is a wrap! The **WBD Inc.** team spent the week at the **NADCO: National Association of Development Companies** Spring Summit in DC getting the latest regulatory updates, networking and advocating for the **U.S. Small Business Administration 504 program**. 🎉 The team met with members of Congress to share support for the bipartisan Made in America Manufacturing Finance Act raising the loan limit for small business manufacturers. Exciting things are happening! 🇺🇸



2025 National Small Business Person of the Year First Runner-Up

Mark Bula and Shawn Bula

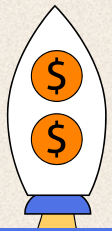
Signature Farms II LLC | Grand Marsh, Wisconsin



U.S. Small Business Administration

You and 14 others · 1 repost





A Resource For Borrowers

Introducing...

Deb Sybell
Community
Engagement
Manager



New Borrower Newsletter:

- Includes resources and updates for 504 borrowers
- Podcasts featuring successful WBD customers
- Soon to be rebranded to include WBD ads for broader distribution

Beyond the bottom line
a newsletter created for small businesses

WBD Your Business Finance Resource

Dear Subscriber:

Welcome to our latest newsletter! In this edition we:

1. Unpack a **marketing and branding** tool;
2. Share a **conversation with the founder of a children's learning center with exotic animals**; and
3. Ask a **question so we can better serve you**

Now, let's go beyond the bottom line...

A RESOURCE

Ready to **supercharge your business growth?** Create **stunning** social media posts, stories and ads to attract customers and **accelerate your business success!** Tap into the **superpower of Canva**, a genius marketing tool that can raise your marketing game. Start for **free** - no tech skills needed - and watch your business soar above the competition! 🚀

[Learn More](#)

A CONVERSATION

Podcast Host: Bill Mitchell, ConversActions
Guest: Bob Davis, President/Founder, Inspire Early Childhood Learning Center, Waunakee

When your engineering career is uninspiring, what do you do? You start **Little Explorers** preschool of course! And then you create a 23,000 square-foot early childhood learning center, complete with camels, zebras and kangaroos! **Bob Davis**, the founder of **Inspire** and a **WBD borrower**, is living his passion and helping children thrive. As Bob says, "When you take your shot, make it your best shot!"

[Listen on ConversActions](#) [Listen on Apple](#) [Listen on Spotify](#) [Previous Podcast](#)

A QUESTION

If the business is sold or a key leader leaves, are you prepared for what comes next? Welcome to the world of **succession planning** where getting it right can be the difference between chaos and continuity. **What can you do today to make sure your business weathers the storm?** 🌪️

[Best Practices](#)

CHECK OUT WBD BOARD MEMBER BILL MITCHELL'S NEW PODCAST!

CONVERSATIONS
LESSONS FOR SUCCESS

ACTIONABLE INSIGHTS FROM THE WORLD'S MOST INTERESTING BUSINESS LEADERS

Our 504 loan borrowers have been enjoying Bill Mitchell and his company, **ConversActions**, new podcast that feature lively chats





02



504 Overview

Basics, Eligibility, Structure, Rates, Closing






504 Overview




Economic development loan program, **jointly provided by lenders and Certified Development Companies (WBD)**, offering eligible borrowers:

Uses Fixed asset financing- equipment and owner-occupied real estate- **AND** debt refinancing 




Lower Down Payment Low down-payment -as low as 10%

Fixed rates Long-term, below-market, fixed rates - fixed for 10, 20 or 25 years



Structure and Size Fully amortizing loans, no balloon payments
504 loans up to \$5.0MM/\$5.5MM
Project size greater than ~ \$300,000





There are not many, but can you name a type of business that is ineligible for a 504 loan?

Most Businesses Are Eligible



For Profit

New or Existing
Business

Meet Size
Standard

Tangible Net Worth < \$20 MM

and

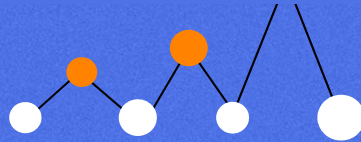
2-year avg Net Income < \$6.5 MM

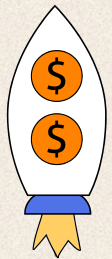
Ineligible
Business Types



**Non-Profits,
Investment
Properties,
Gambling...**

WBD.





Eligible Uses of Funds

- ✓ Owner Occupied Commercial Real Estate
- ✓ Equipment (including shipping and installation costs)
- ✓ Project Related Eligible Soft Costs
- ✓ Professional Fees, Appraisal and Environmental Reports
- ✓ Interim Interest
- ✓ Third Party Lender Fees (must be labeled "interim" lender or loan fee)
- ✓ Refinance w/ Expansion – Up to 100% of expansion costs
- ✓ Permanent Refinance Program

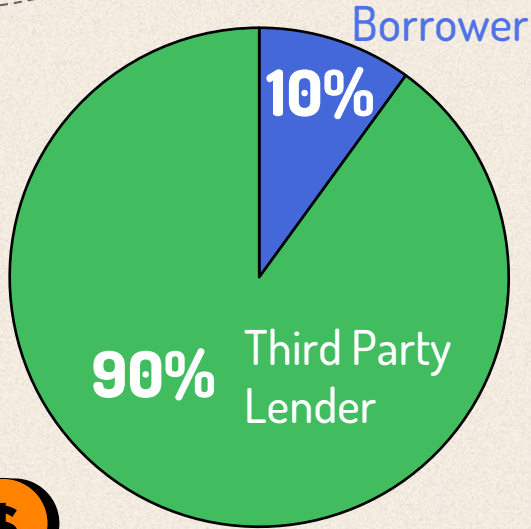
Ineligible 504
Project Costs
(but 7(a) eligible)

Working
Capital;
Inventory;
Other Current
Assets,
Goodwill, Other
Intangible
Assets



Typical 504 Structure

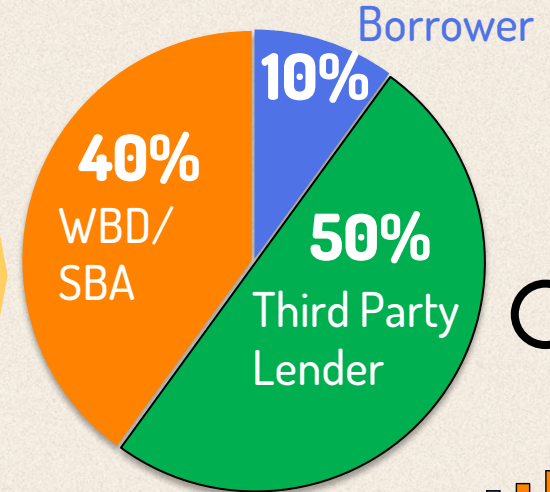
Interim Financing



- Third Party Lender's portion is a conventional loan
- Additional collateral may be taken for Interim Financing
- 504 portion has 100% SBA guaranty

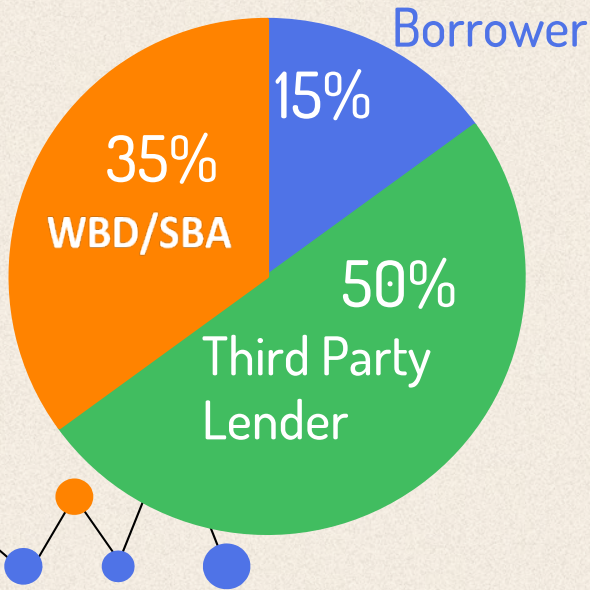
Permanent Financing: ✨

50-40-10



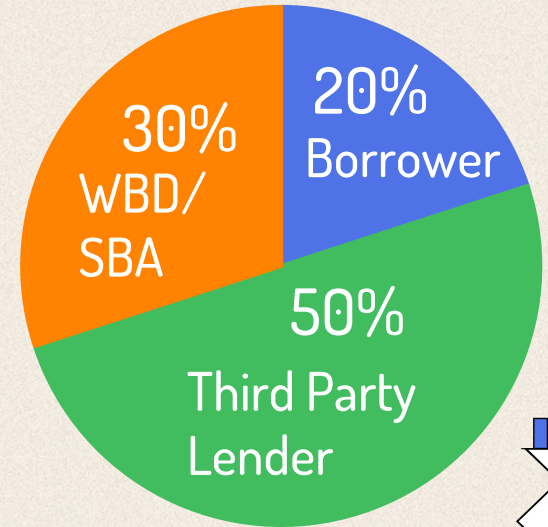
'Special' 504 Structures

Start-up or
Special Purpose
50-35-15



Third Party Lender
must be at 50%
participation in
both scenarios

Start-up AND
Special Purpose R/E
50-30-20



Flexible Sources of Borrower Contribution

Owner's Personal Cash

Cash from Business Operations

- Interim interest
- Down payments related to eligible project costs

Equity in Real Estate

- "As Is" appraised value, less existing debt, if owned at least 2 years

Seller Notes, Revolving Loan Funds, Municipal Loans, or TIFs

Borrowed funds (e.g., Seller Note)

- If secured by project assets – term must match 504 debenture
- If unsecured or secured by other assets – no minimum term or % of project requirement
- No requirements like the 7(a) program

Municipal loans - with favorable terms SBA may grant an exception to same term rule

Case Study – Unique Borrower Contribution

Background:

- Established concrete contractor.
- Company has experienced tremendous growth and is currently leasing a small space.
- Company entered into a development agreement with the local municipality to acquire 5 acres for \$1 and construct a new 11,000 square foot facility.
- Development agreement required a minimum tax assessed value post construction and included a job creation requirement.

Preliminary Borrower
Financing Request:
Construction Cost -
\$1,207,000



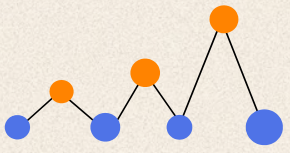
Project Considerations

- A construction contingency of up to 10% is allowed.
- An established business that is not a special purpose property may qualify for 10% down.
- Involve your WBD Loan Officer early if a Development Agreement is necessary and try to have a get the draft agreement.
- The "As-Is" appraisal for the lot is \$50,000 and can count towards the borrower contribution.
- The "As-Complete" appraisal is \$1,251,000, and it must be at least 90% of the total project cost (\$1,251,000 divided by total project of \$1,390,000 = 90% ACCEPTABLE TO SBA).
- The borrower completed the concrete work on-site, which is considered DIY and required two competing bids.

Case Study – Unique Borrower Contribution

504 Structure

<u>Use of Funds</u>		<u>Source of Funds</u>		
Land Equity	\$ 50,000	Third Party Lender	\$ 695,000	50.0%
Construction Costs	\$ 1,207,000	SBA 504 Debenture	\$ 556,000	40.0%
Contingency	\$ 120,000	Land Equity	\$ 50,000	3.6%
Soft Costs	\$ 13,000	Borrower Contribution - Cash	\$ 89,000	6.4%
	\$ 1,390,000		\$ 1,390,000	100.0%

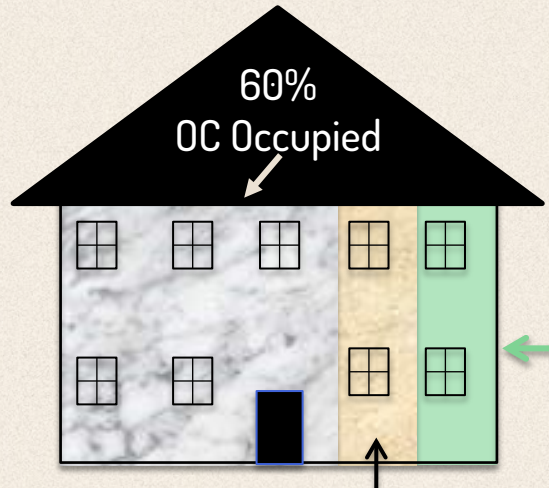
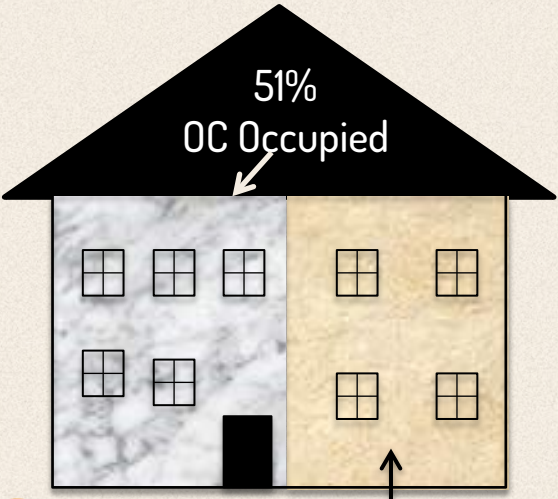


Eligibility Occupancy Rules

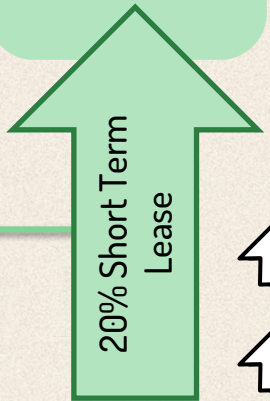


Existing Real Estate

New Construction



Borrower must begin occupying this space in Year 3 and occupy it by Year 10



49% Unrestricted

20% Unrestricted






Case Study – Occupancy Example



\$





\$



Preliminary Borrower Financing Request:

- Purchase Price of Building - \$700,000 (owe \$579,802 on a short-term note)
- Construction Costs - \$1,140,000

Background:

- 
- Established dental practice.
 - Purchased a new 3,326 square foot facility 6 months ago to expand the practice.
 - Building currently has an un-related third-party tenant in 1,200 square feet.
 - Third Party Lender financed the building purchase on a short-term bridge note (12 month I/O note) to allow time for building plans to be finalized.
 - Looking to expand the building to a total of 6,530 square feet to double the amount of hygiene rooms.
- 



Project Considerations

- The business qualifies for a 10% down payment as it is an established entity and the building is not considered special purpose.
- The building purchase was brought into the structure at cost, having been acquired within the last two years, and the short-term bridge note was paid off by the construction financing.
- New construction occupancy requirements apply due to changes in the building's footprint.

Third Party Tenant Space	1200	18%
Owner Occupied	5330	82%
Total Square Footage	6530	100%

- Unrelated third-party tenant lease required to be a sub-lease from the operating company, with the tenant required to sign a lease subordination agreement.
- No project funds were allocated for third-party tenant space.



Case Study - Occupancy Example



504 Structure

<u>Use of Funds</u>		<u>Source of Funds</u>		
Real Estate Equity*	\$ 120,198	Third Party Lender	\$ 927,000	50.0%
Construction Costs	\$ 1,140,000	SBA 504 Debenture	\$ 741,600	40.0%
Payoff Bridge Note	\$ 579,802	Real Estate Equity*	\$ 120,198	6.5%
Soft Costs	\$ 14,000	Borrower Contribution - Cash	\$ 65,202	3.5%
	\$ 1,854,000		\$ 1,854,000	100.0%

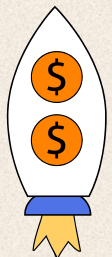
*Purchase Price of \$700,000, less current balance on bridge financing.





504 Loan Caps

Most
Businesses
are limited to
\$5 million of
total SBA
exposure



Standard 504

- \$5.0MM or 40% of the project total (whichever is less)

Manufacturer 504

- NAICS codes beginning with 31, 32 and 33
- \$5.5MM or 40% maximum PER PROJECT
- No aggregate maximum for manufacturers

Energy Efficient 504

- \$5.5MM or 40% maximum PER PROJECT
- NEW: As of June 1, 2025 – Aggregate cap of \$16.5 Million

Eligibility criteria:

- Reduction in existing energy consumption by at least 10%
- Project facility will generate at least 15% of its energy from renewable sources.





You may have heard about some legislation known as the Made in America Manufacturing Finance Act. If adopted, what would the new per project limit for manufacturing be for 504 loans?

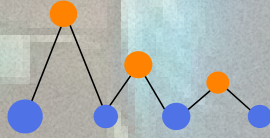
Case Study – SBA Exposure Example

Background:

- A second-generation manufacturing firm.
- ✨ Plans to build a new 68,000 square foot facility as part of a modernization effort to enhance customer service and utilize automation for greater efficiency.
- So far, the Company has invested \$8.6 million in progress payments for new equipment from cash flow.

Preliminary Borrower Financing Request:

- Purchase Land - \$571,000
- Construction Bid - \$18,745,000
- Ancillary F&E Costs Outside Construction Bid - \$3,053,000
- New Equipment - \$18,260,000 (of which, \$8.6MM has already been paid)



Project Considerations

- Manufacturers have higher SBA Exposure Limits - \$5.5MM / Project. Current SBA interpretation is more exposure dollars come after the debenture is funded.
- Existing business and manufacturing facilities, in general, are not considered special purpose; therefore, the minimum required borrower contribution is 10%.
- 504 Structure was utilized on the Real Estate
- Third Party Lender funded the equipment on a conventional equipment term loan.
- Can include up to a 10% construction contingency.



Use of Funds		Source of Funds		
Purchase Land	\$ 571,000	Third Party Lender	\$ 13,500,000	63.5%
Construction	\$ 18,745,000	SBA 504 Debenture	\$ 5,381,000	25.3%
Contingency (10%)	\$ 1,874,500	Borrower Contribution	\$ 2,393,000	11.2%
Soft Costs (See Other Expenses Below)	\$ 83,500			
	\$ 21,274,000		\$ 21,274,000	100.0%

✦ 504 Structure



Overall Sources And Uses



	TPL Front-End Note	WBD/SBA 504	TPL Equip Note	Equity Already Injected	Total
Purchase Land			\$571,000		\$571,000
Construction Costs	\$13,500,000	\$3,423,000	\$1,822,000		\$18,745,000
Contingency		\$1,874,500			\$1,874,500
Soft Costs		\$83,500			\$83,500
Ancillary Costs and F&E Outside Bid			\$3,053,000		\$3,053,000
New Equipment			\$9,660,000	\$8,600,000	\$18,260,000
Working Capital			\$362,000		\$362,000
Equipment Soft Costs			\$2,792,000		\$2,792,000
Total	\$13,500,000	\$5,381,000	\$18,260,000	\$8,600,000	\$45,741,000

TPL's equipment note funded the required downpayment on the 504 loan, as the business already had significant equity into the equipment. This qualified as 504 borrower contribution, as this was secured by NON-504 Project Assets.

Borrower Benefits



- ✓ Less Money Down
- ✓ Long Terms
- ✓ Affordable, **FIXED** rates
- ✓ Limited Collateral

- Loans Potentially Assumable
- Refinance 504 loans into new projects
- Known declining prepayment penalty vs. interest rate swap



Plus:



504 Lender Benefits

Credit Enhancement

- ✓ Very comfortable 50% LTV
- ✓ Reduced Bank Examiner Scrutiny
- ✓ Sell structure vs. rate / spread
- ✓ CRA Credit

Good Business

- ✓ Help with asset/liability management
- ✓ Can help the bank maintain solid spread on the front-end loan

Building Relationships

- ✓ Preserve ability to help in future
- ✓ Great structure makes happy clients and referrals
- ✓ Long term commitments keep customers secure
- ✓ Some Flexibility if appraisal comes in short

WBD Handles the SBA Stuff

- ✓ Bank loan - No SBA loan servicing fees
- ✓ No monthly SBA loan reporting on its permanent loan



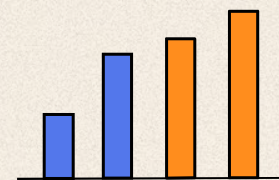
Current Effective Fixed 504 Interest Rates

25 Year – 6.40% May 2025

20 Year – 6.42% May 2025

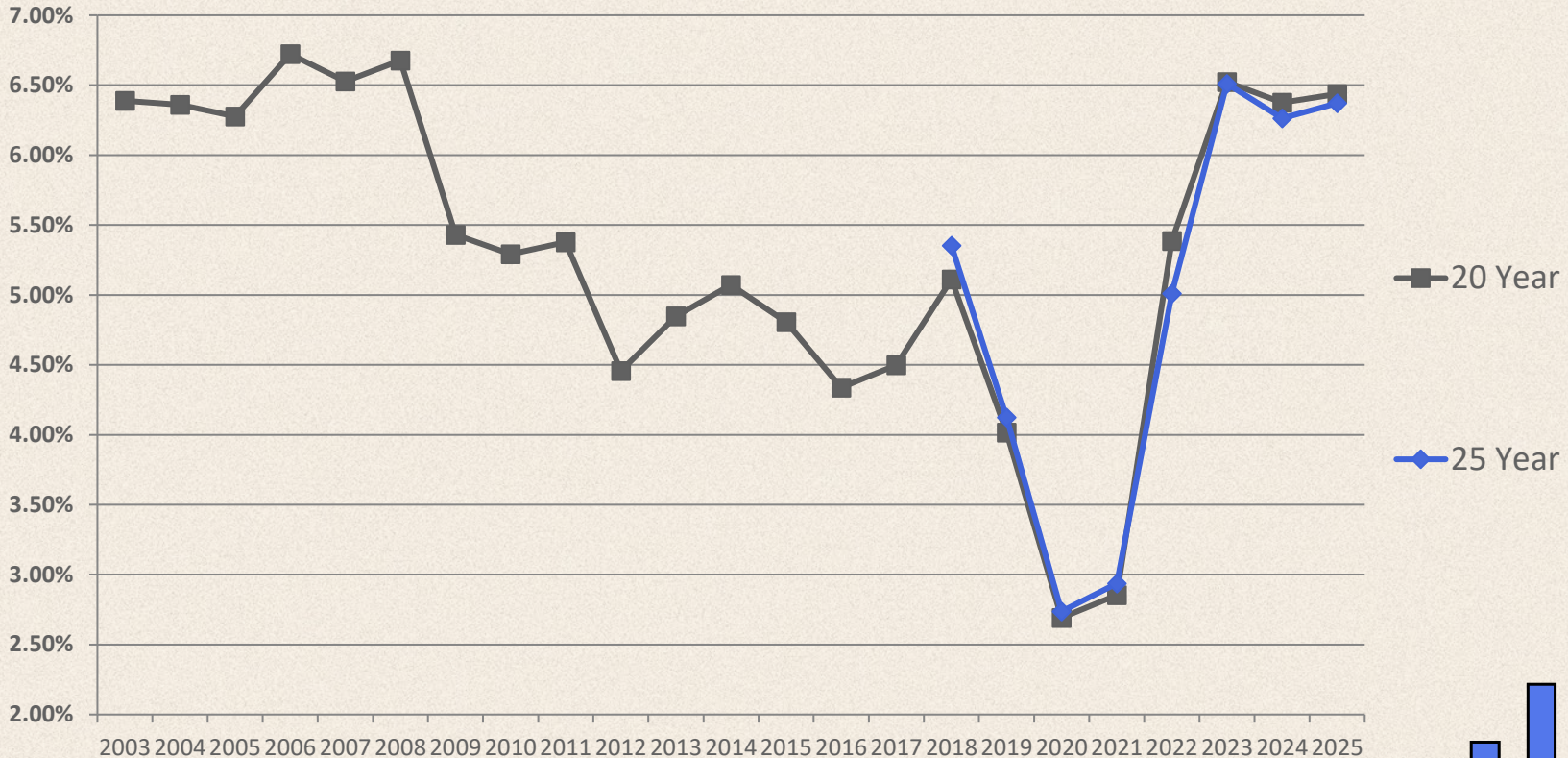
10 Year – 6.22% May 2025

*10-year debentures are sold every 2 months



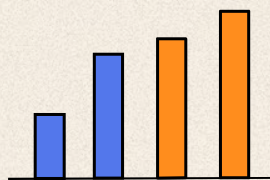


Average Effective Rate by Year



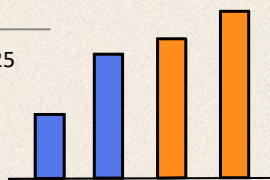
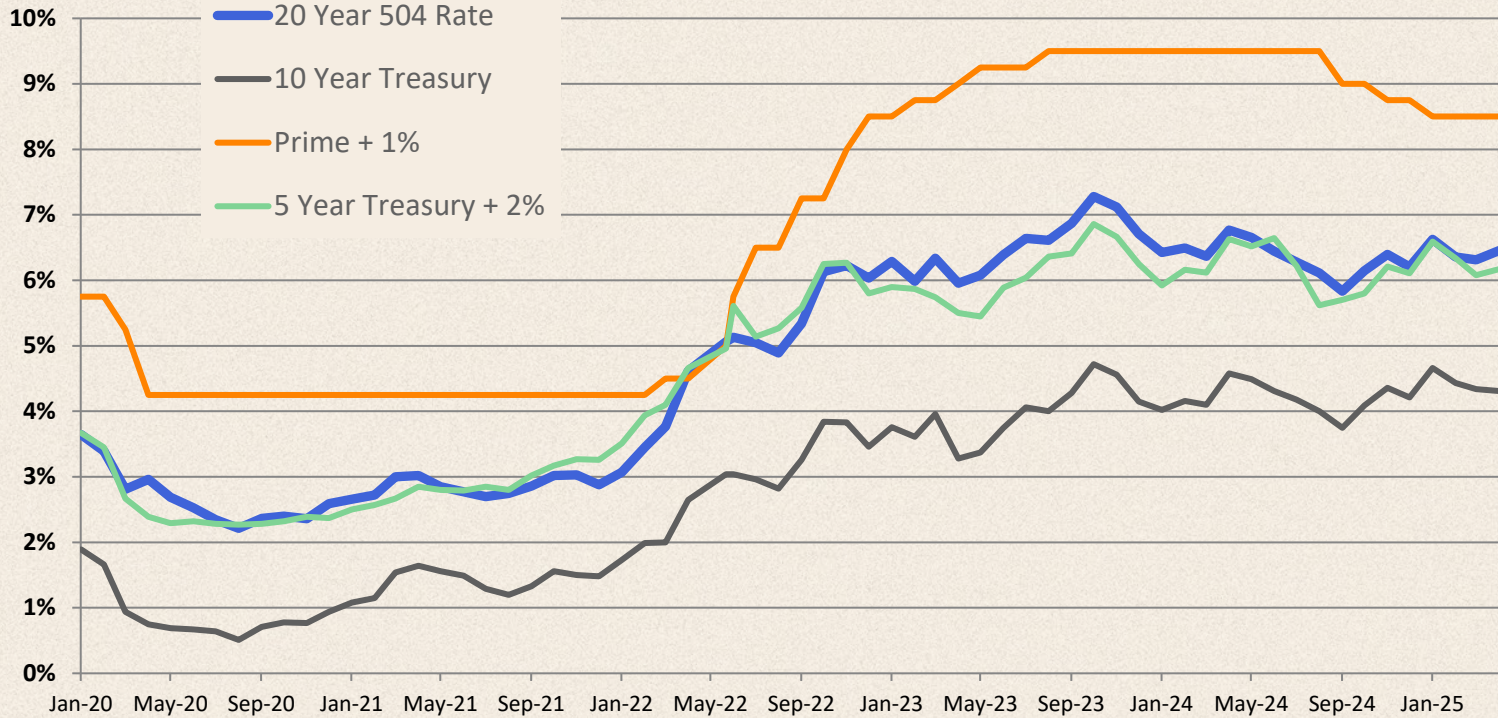
■ 20 Year

◆ 25 Year





Rate Comparison



What's New

Environmental Review Process:

- All properties without contamination, review & approval is now delegated to WBD!
- Properties with prior or existing contamination, reports are submitted to SBA's Sacramento Loan Processing Center and routed to SBA District Counsel for Approval

Loans with any Foreign Ownership are now Ineligible for SBA Financing.

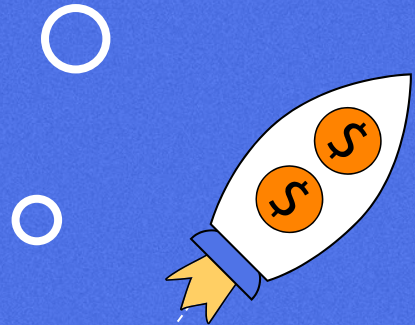
- Citizenship information is required on all owners for an SBA applicant business. For SBA purposes, Legal Permanent Residents are considered the same as US Citizens unless they hold a temporary, 2-year Green Card.

Accelerated Processing for Veteran-Owned Businesses: Details Forthcoming

SBA 7a guaranty fees & ongoing servicing fees reinstated for smaller loans

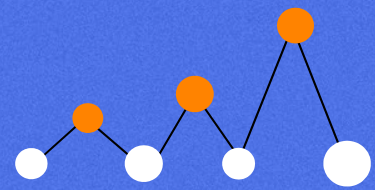
New SOP 50-10 8 is Effective June 1, 2025:

- The Franchise Registry has returned. Prior listing is in effect from June 1- July 31. After August 1, Franchises will be listed only if they have executed a new certification.
- Credit Elsewhere Considerations: WBD will again review the available personal resources of any 20% or more owners.



SBA 504 Refi Updates

Effective 11/15/24






Summary of Rule Changes


2023 Changes:

Eased the Definition of Qualified Debt – Need to demonstrate at least 75% of the debt being refinanced originally financed a 504 eligible purpose. Reduction from 85%.






Refinance of 7a Debt – Removed the requirement for written verification that the present 7a lender is unwilling or unable to modify the 7a note. WBD is now required to notify the 7a lender.

2024 Changes – Effective 11/15/24:

Increased the LTV for projects that include cash out for Eligible Business Expenses from 85% to 90%. 

Eliminated the 20% cap on the amount of cash out for Eligible Business Expenses.





Revised the 10% substantial benefit test when refinancing other government debt. 

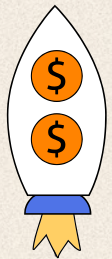


Gateway to the Refi Program – Finding a “Qualified Debt”



All Normal
504 Eligibility
Requirements
Apply

- 
- 
- Likely a Real Estate Note or Equipment Term Loan.
 - The loan must have been taken at least 6 months before the application with no changes in that period. The business must be operational for at least 2 years.
 - A minimum of 75% of the initial proceeds must have been used to acquire a 504 eligible asset for the refinance.
 - Copies of the notes and collateral documents must be provided.
 - SBA requires a loan history or account transcript for the past 12 months (or the duration of the note) – Payment currency is now a credit decision rather than an eligibility one.
 - Existing Government Guaranteed Loans may qualify (with restrictions).
- 
- 



REFI of Government Guaranteed Debt

Can refinance government guaranteed debt (i.e. 504 loans, 7a loans, etc.) under the following circumstances:

504

504: Both the **Third Party Lender** (1st REM) and **504 loan** (2nd REM) are being refinanced

7(a)

7(a): Same institution 7a debt refinance is **only eligible if the lender is unable to modify** the terms of the existing loan because a secondary market investor will not agree to modify terms

Both

We need to demonstrate the **new installment amount** (any cash out is excluded from this calculation) is **less than the current installment amount**. Change from a 10% cash flow savings.



Debt REFI -LTV Requirements

Straight Refinance of Qualified Debt

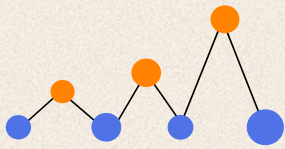
- 90% LTV
- Based on a current appraisal

All Structures
Based on
Appraised
Value

Refinance of Qualified Debt with Cash Out

- ***NEW*** 90% LTV (increase from 85%)
- Based on current appraisal
- ***NEW*** no longer a CAP on Cash Out (used to be capped at 20%)

NEW Effective August 1, 2023 WBD/SBA can waive liens on FF&E originally financed as part of the refinance project, if real estate appraisal provides adequate value



Debt REFI – Cash Out for Expense



- Payoff/pay down an operating LOC – Must certify funds were not used for capital expenditures



- Expenses such as salaries, rent, utilities, inventory, etc. credit card debt in business name



- Expenses incurred but not paid prior to the date of SBA application

- Expenses that will come due within 18 months of application date

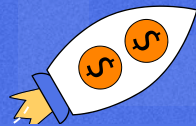
- Term Working Capital Note(s) secured with the same collateral as the qualified debt (i.e. a mortgage on the property) may be eligible. Contact your WBD Loan Officer.

INELIGIBLE:

Partner buyout, business acquisition, Paying off existing loans that don't meet the qualified or other secured debt requirements, expand building footprint, purchase additional fixed assets, "upkeep and maintenance" expenses, such as new roof, repaving parking lot, flooring, redecorating, etc

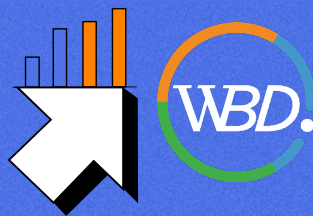


Good REFI Candidates / Uses



- For loans renewing in the next 18 months, amortization on the 504 loan can be extended to mitigate payment increases from higher rates. The front-end loan's amortization doesn't need to match the 504 loan.
- Businesses with variable rate debt on their fixed assets
- Equipment vendor notes, on larger fixed equipment, where the term doesn't meet the useful life of the asset
- SBA 7a Debt – Originally used for fixed assets
- Supports businesses with equity in fixed assets seeking additional working capital or opportunities to restructure/retire short-term debt.

SBA/WBD underwriting will focus on management and cash flow—the ability to service proforma debt





Ways 504 REFI can help your institution



Assists with asset / liability management

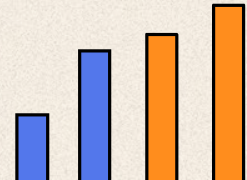


Reduces industry concentration in your portfolio, if needed (WBD is a friendly participant)

Reduces Credit Risk – Very Comfortable LTV post 504 debenture funding



Great Prospecting Tool !





Case Study – 504 REFI Example

Background:

- Established agricultural equipment dealer
- Real Estate note coming up for renewal in next 6 months
- Planning \$200,000 in CAPEX over the next year

Existing Debt Schedule:

- Real Estate Mortgage - \$545,000
- LOC Commitment - \$1,900,000; outstanding balance of \$1,230,000

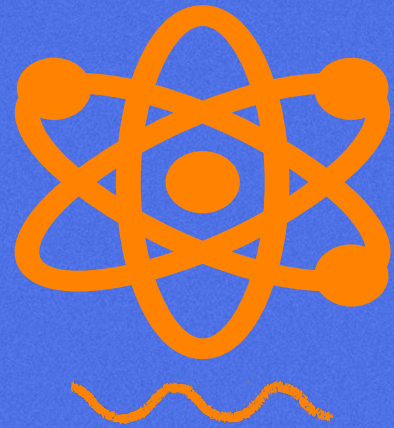
Project Considerations:

- Real Estate Note met qualified debt criteria
- “AS-IS” Appraisal on the real estate came in at \$1,395,000
- Max LTV when including cash out for business expenses is 90% - Cash out paid down the RLOC which indirectly freed up cash to fund the future CAPEX

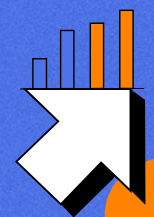


504 Structure

<u>Use of Funds</u>		<u>Source of Funds</u>		
Real Estate Equity	\$ 238,000	Third Party Lender	\$ 599,000	42.9%
Refinance Real Estate Note	\$ 545,000	SBA 504 Debenture	\$ 558,000	40.0%
Cash Out - Paydown RLOC	\$ 600,000	Real Estate Equity	\$ 238,000	17.1%
Soft Costs	\$ 12,000			
	\$ 1,395,000		\$ 1,395,000	100.0%



Next Level Case Studies





Case Study – Equipment CAPEX

Background:

- Long established manufacturer
- Well diversified customer base
- Repeat borrower, with 3 existing 504 loans on both the real estate and several pieces of equipment
- Looking at further automation and looking to acquire a double column CNC machine with horizontal milling capabilities. Has reduced set up time and can be programmed to run without an operator and turn parts overnight.

Preliminary
Borrower
Financing Request:
PO on Equipment -
\$1,310,000



Equipment CAPEX – Project Considerations

- Existing business and equipment is never considered special purpose; therefore, the minimum required borrower contribution is 10%.
- Useful life letter from manufacturer of the equipment exceeded 20 years
- TPL provided a 10 year fully amortized front-end loan; 504 was a 20 year debenture given the useful life.
- Lead time for equipment was 8 months
- 504 collateral was limited to a 2nd specific filing on the new equipment.
- Outstanding 504 exposure was \$3.2MM; since this is a manufacturer, the SBA exposure limit is \$5.5MM per project.
- Shipping & Installation costs can typically be included in the project.

Equipment CAPEX – 504 Structure

<u>Use of Funds</u>		<u>Source of Funds</u>		
Purchase & Install Equipment	\$ 1,310,000	Third Party Lender	\$ 682,000	50.0%
Shipping Costs	\$ 50,000	SBA 504 Debenture	\$ 545,600	40.0%
Soft Costs	\$ 4,000	Borrower Contribution	\$ 136,400	10.0%
	\$ 1,364,000		\$ 1,364,000	100.0%

Case Study – Partner Buyout

Background:

- Long, established metal manufacturer.
- Separate real estate holding entity and operating entity – Both entities are owned by 3 equal partners (1/3rd each).
- Two of the owners are nearing retirement and are looking to be bought out of both entities.
- Post close, the surviving owner will own 100% of both entities and is looking for financing to facilitate the partner buy-out.

Preliminary Borrower Financing Request:


- Partner Buyout from EPC (aka RE Holding Entity) – \$800,000
- Partner Buyout from OC (Operating Company) – \$400,000



Partner Buyout – When can 504 get involved?

504 can play a role in the partner buyout of the EPC

If there is a separate real estate holding entity (EPC) and operating company and the partner buyout includes the real estate, 504 may be a good option!

- Considerations:
- Purchase Agreement needs to be structured as a redemption or purchase of the LLC membership units of the EPC. SBA requires specific language. Consult with your WBD Loan Officer.
 - Review EPC Balance Sheet – Any assets outside the Owner Occupied Commercial Real Estate need to be de-minimis
 - Post Close, the Surviving Owner(s) needs to be a 100% owner(s) of both the EPC and OC.
 - Appraisal Drives the Structure – Maximum purchase price = Payoff of Current Real Estate Debt + Selling Partner(s) Equity in the property.
- 

Partner Buyout – Considerations

Current Outstanding Debt:

- Real Estate Loan – \$907,559
- Equipment Term Loan – \$918,778
- Equipment Term Loan – \$771,368
- RLOC Commitment – \$1.75MM; \$1.3MM outstanding

Appraisal on the Real Estate – \$2,310,000

Business Valuation on Operating Company came in at \$1,277,000

Two Separate Purchase Agreements were Executed:

- Redemption of Membership Units for the EPC totaling \$800,000
- Stock Purchase for the OC totaling \$400,000

504 Financed the EPC Membership Unit Redemption

7a was utilized for the Stock Purchase + Refinance of Existing Equipment Debt

How SBA looks at the Maximum Purchase Price

Real Estate Appraised Value	\$2,310,000		
Less Existing Real Estate Debt	-\$907,559		
Total Existing Equity	\$1,402,441		
Current Ownership Split / Equity	Total Equity	x Ownership Interest	Existing Equity
Partner A - 33.33%	\$1,402,441	33.33%	\$467,434
Partner B - 33.33%	\$1,402,441	33.33%	\$467,434
Partner C - 33.33%	\$1,402,441	33.33%	\$467,434
Max Purchase Price of Partner B & Partner C	\$934,867		

504 Structure

504 Uses of Funds:		504 Sources of Funds:		
Buyer's Equity (PLUG FIGURE)*	\$400,000	Third Party Lender	\$873,200	41.15%
Payoff Underlying Real Estate Debt	\$907,559	WBD/SBA	\$848,800	40.00%
Purchase Price	\$800,000	Buyer's Equity (PLUG FIGURE)*	\$400,000	18.85%
Soft Costs	\$14,441			
Total	\$2,122,000	Total	\$2,122,000	100.00%

Partner Buyout – Overall Sources & Uses

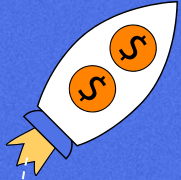


Use of funds	Source of funds				
	TPL 504	WBD 504	Borrower Contribution	7a Loan	Total
Buyer's Equity			\$ 400,000		\$ 400,000
Payoff Underlying Real Estate Debt	\$ 873,200	\$ 34,359			\$ 907,559
Purchase Price - Partner Buyout EPC		\$ 800,000			\$ 800,000
Soft Costs - 504		\$ 14,441			\$ 14,441
Refinance Equip Term Loan				\$ 918,778	\$ 918,778
Refinance Equip Term Loan				\$ 771,368	\$ 771,368
Buyout Partners from OC				\$ 400,000	\$ 400,000
Working Capital				\$ 225,429	\$ 225,429
SBA Guarantee Fee				\$ 64,425	\$ 64,425
Total	\$ 873,200	\$ 848,800	\$ 400,000	\$ 2,380,000	\$ 4,502,000

- 7a was structured with a 10 year, fully amortized note. Collateral was a 1st lien on F&E. Equipment appraisal was completed, and the 7a loan was fully collateralized.
- TPL kept the existing RLOC Commitment in place – Secured with a 1st on A/R and Inventory



Inside the WBD Portfolio – Borrower Insight



As of 9/30/2024, WBD had a portfolio consisting of **1,701 loans** totaling **\$1.02 billion**. The following averages are based on analyzing the WBD's credit score worksheet of all existing borrowers *at the time of approval*.

Collateral Coverage – average .65x

Current Ratio – average 2.4x

Debt to Worth Ratio – average 8.0x

Personal Credit Score – average score 782

Historical Debt Service Coverage Ratio – average 1.10x

Management Experience – average 3.5 yrs on-site exp

Time to take another
look at a project??





**Which of these averages
most surprises you?**



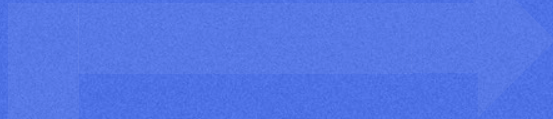
Inside the WBD Portfolio

- ❖ WBD Portfolio Balance - \$1,019,860,129
- ❖ # of Loans - 1,701
- ❖ Non-Current Loans (under 30 days) - 2 loans totaling \$686,503
- ❖ 45-Day Delinquent Loans - 1 loan totaling \$527,207
- ❖ 65-Day Delinquent Loans - 0 loans
- ❖ Loans Repurchased in 2024 (over 90 days) -7 loans totaling \$5,351,429
- ❖ Loans in Deferral Status - 1 loan totaling \$1,587,386





Which of the following WBD Mascot names was not a real submission from the registration survey?





Thank You!

Stick around for networking
and drinks!

