

504 Loan Structuring

ELIGIBLE BUSINESSES

Active Small Businesses

Net Worth/Net Profit standards:

Business Net Worth cannot exceed \$15MM

Business Net Profit cannot exceed \$5MM-averaged over last two years

Note: Manufacturers with less than 500 employees are eligible regardless.

There are no sales standards for 504 loans.

ELIGIBLE USES

Fixed Assets Only. Land, Building, Equipment and related soft costs.

STRUCTURE

The 504 portion of the project may not exceed 40% of the total project cost. A down payment of at least 10% of the total project cost is required. Down payments for start-ups and/or special purpose buildings will require 15-20%. Down payments may be cash or equity in project-related land.

Sample 504 Structures:

	Existing	Start-up or special purpose	Start-up and special purpose
Bank	50%	50%	50%
WBD	40%	35%	30%
Borrower*	<u>10%</u>	<u>15%</u>	<u>20%</u>
	100%	100%	100%

*Additional borrower contribution may be required.

AMOUNTS

The maximum loan amount is \$5MM

If the borrower is a **Manufacturer** or meets an **Energy Policy Goal** the Maximum loan amount increases to \$5.5MM.

(Manufacturer is defined as NAICS Code beginning with 31, 32, or 33 with all production facilities in U.S.)

TERM

WBD: 10- or 20-year debentures based upon the useful life of the assets acquired.

Bank: Loan must have a minimum maturity of 7 years on 10-year debentures. Bank loan must have a minimum maturity of 10 years on 20-year debentures.

RATE

WBD: Fixed-market rate (determined at the date of bond sale).

Bank: Reasonable market rate (fixed or variable); interim “points” may be financed.

PRE-PAYMENT

Pre-payment penalty will be assessed on the outstanding debenture balance during the first half of the debenture term.

FEES & CHARGES

1. One-time fees included in debenture amount:
 - 1.5% of WBD portion of total project to WBD
 - .65% to bond underwriters
2. CDC attorney prepares the debenture loan documents. CDC legal fees ordinarily do not exceed \$2,500 and may be included in the debenture.
3. The participating lender must pay 0.5% fee to SBA on the permanent first mortgage. Bank may roll fee into project via interim points.