

504 Loan Structuring

**ELIGIBLE
BUSINESSES**

Active Small Businesses
Net Worth/Net Profit standards:

- Business Net Worth cannot exceed \$15Million
- Business Net Profit cannot exceed \$5Million-average 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.
 Refinance of loans used to acquire / improve fixed assets- restrictions apply.

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. Required down payment for start-ups and/or special purpose building is 15-20%. Down payments for repeat borrowers with an existing, special purpose debenture(s) is 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.

**Also applies to borrowers with an existing, special use 504 debenture

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-, 20- and 25-year debentures based upon the useful life of the assets acquired.

Bank: Loan must have a minimum maturity of 7 years for 10-year debentures. Bank loan must have a minimum maturity of 10 years for 20- and 25-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 (first 10 years for the 25-year debenture).

FEES & CHARGES

1. One-time fees included in debenture amount:
 - 1.5% of WBD portion of total project to WBD
 - .65% to bond underwriters
 - 0.5% to SBA
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.