



# 504 Loan Structuring

## ELIGIBLE BUSINESSES

Active, For Profit Small Businesses

Net Worth/Net Profit standards:

Business Net Worth cannot exceed \$20 Million

Business Net Profit cannot exceed \$6.5 Million-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.

For a real estate project (existing building), the small business must occupy 51% of the building on day one; 60% on day one for ground-up construction projects.

## 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 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*	10%	15%	20%
	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-, 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

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

