

SBA 504: The Money That Makes America Work!

As a successful small business owner, you help provide more job opportunities than any other sector of the economy. Yet, when you look for financing to meet your expansion needs, conventional sources are limited. Where can you turn for help? The answer is Certified Development Companies (CDCs) who have partnered with the Small Business Administration to offer you the 504 Loan Program.

With 504, you get long term, fixed-rate financing at a reasonable interest rate. And the best new is that you typically put in only 10%. A 504 is for the purchase and use of long-term fixed assets such as land, building, or certain equipment. As the first national financing program specifically designed for expanding small businesses whose investment will create jobs, 504 loans are truly the money that makes America work.

What is a CDC?

A Certified Development Company serves your community to finance business expansion needs through 504. Its professional staff works directly with you to tailor a financing package that meets program guidelines and the credit capacity of your business. There are more than 250 CDCs serving communities throughout the nation.

What does a typical 504 financing package look like?

In most cases, a bank will provide 50% of the financing, the CDC (SBA) will provide 40% of the financing, and the small business owner will provide a 10% equity injection:

BANK ● 50%

- Interest rate is usually set at the current market rate (may be fixed or variable)
- 10 to 25 year term on real estate
- 7 to 10 year term on equipment
- First lien on real estate and/or equipment

CDC ● 40%

- Interest rate is fixed
- 20 or 25 year term on real estate
- 10 year term on equipment
- Second lien on real estate and/or equipment

SMALL BUSINESS ● 10%

- Cash equity injection

Project Example (Real Estate):

| Project: \$1,000,000 | Bank | CDC | Small Business |
|-----------------------------|--------------------------------------|-----------------|-----------------------|
| Loan Amount | \$500,000 | \$400,000 | \$100,000 |
| % of Project | 50% | 40% | 10% |
| Term | 10 yr. note (20 yr. amortization) | 20 or 25 yrs. | Equity Injection |
| Interest Rate | Market | Fixed | |
| Collateral | First Mortgage | Second Mortgage | |

Who is eligible?

Independently-owned, for-profit businesses that meet 504 project requirements are eligible. Generally, these are businesses which are ready to expand by purchasing fixed assets ranging from \$120,000 to several million dollars.

What are the terms?

On the 504 loan, you get a reasonable fixed rate of interest and terms of 20 or 25 years for real estate and 10 years for equipment, with level debt payments.

How do I apply?

Contact your local Certified Development Company:

AEDC Small Business Lending Center
Kelli Sterling, Loan Manager
707 K Street
Eureka, CA 95501
(707) 798-6132, ext. 214
kellis@aedc1.org
www.aedc1.org

Serving the following Northern California Counties: Humboldt, Del Norte, Trinity, Siskiyou, Mendocino and Lake