



# SBA-504 PROGRAM

## Quick Reference Card

For more information on the SBA-504 Program

Contact Randy Griffin at 706-210-2010,

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***FIXED RATES AND UP TO 90% FINANCING FOR BUSINESSES***

### WHAT IS THE SBA 504 LOAN PROGRAM?

The U.S. Small Business Administration (SBA) 504 business loan program provides long-term, fixed rate financing for business real estate and equipment. The program allows a business to purchase land, acquire or construct buildings, and acquire equipment and fixtures.

### WHAT IS THE LOAN STRUCTURE?

The borrower selects a bank to finance 50% of the project cost. The bank gets a first mortgage on the project assets and sets the terms on its loan. SBA through non-profit community based organizations like CSRA Business Lending, provides 40% of the project amount in a 20 or 25 year fixed rate loan. The business usually only has to put 10% down; however, if it is a start-up or a limited use asset, the borrower has to put in a slightly higher down payment. The participating bank usually provides the construction financing after receiving an SBA commitment.

### WHY DO BANKS AND NON-BANK LENDERS LIKE THE 504 LOAN PROGRAM?

Lenders like the 504 program for a variety of reasons. 1) They get a 50% loan to value on the project, which allows them to finance projects they typically would not. 2) They can help their customer by requiring a lower down payment than they typically would require. 3) It makes it easier for them to make additional loans to a borrower for second locations or lines of credit because they have a lower amount of debt with the customer. 4) Smaller community banks can often times make larger loans than their legal lending limit would allow by using 504. 5) The lenders first mortgage loan can be structured where it can be sold. 6) We do the SBA paperwork...not the bank!

### WHY DO BUSINESSES LIKE THE 504 LOAN PROGRAM?

Businesses like the 504 program for its lower down payment and 20 or 25 year fixed rates on the SBA portion. It also lowers their exposure with their favorite bankers, making it easier for them to obtain loans for second locations, vehicles, or lines of credit.

### WHY CSRA BUSINESS LENDING?

Service and simplicity. CSRA Business Lending operates throughout the entire State of Georgia and South Carolina. We make applying for an SBA 504 loan almost easier on a bank or non-bank lender than if they did the loan themselves. We don't hand the borrower a pile of paperwork and say fill this out. We provide the borrower hands on support in completing the application. We then provide our application complete with analysis and credit memo to the lender who only has to then write a commitment letter to complete the 504 application process. CSRA Business Lending specializes in one program and one program only...the SBA 504 loan program. We are not competing with other SBA lenders around the state for 7(a) loans. We are fast and competent. We are an SBA 504 Accredited Lender, given to only SBA's best 504 lending partners.

# **SBA-504 PROGRAM GUIDELINES**

## **ELIGIBILITY**

- Must be a for-profit business. Non-profit groups such as churches are not eligible.
- Must achieve an eligibility goal of SBA (usually easy to do).
- Must be classified as small (business net worth under \$15 million & net profits under \$5 million).
- Owner must occupy 51% of an existing building or 80% of the newly constructed space.
- Investment properties such as apartments and strip shopping centers are not eligible.
- Speculative ventures (such as subdivision development) are not eligible.
- Debt refinance is allowed under certain conditions.

## **ALLOWABLE USES OF PROCEEDS**

- Acquisition of vacant land for construction.
- Acquisition of existing land and building.
- Building construction and/or renovation.
- Machinery, equipment, furniture, fixtures located in building being financed.
- Associated soft costs such as architectural fees, engineering, survey's, appraisals, etc.

## **TYPICAL PROJECT**

### **Project Costs**

Land Purchase . . . . .	\$ 200,000
Building Construction . . . .	\$ 700,000
Machinery . . . . .	\$ 75,000
Soft Costs . . . . .	\$ 25,000
<b>TOTAL PROJECT . . . . .</b>	<b>\$1,000,000</b>

### **Project Sources**

Bank – 1st Mortgage . . . . .	\$ 500,000
SBA/CSRA 504 – 2nd Mortgage . . .	\$ 400,000*
<u>Borrower Equity (Down Payment) . .</u>	<u>\$ 100,000</u>
<b>TOTAL SOURCES . . . . .</b>	<b>\$1,000,000</b>

\*MAXIMUM AMOUNT OF 504 2nd MORTGAGE LOAN \$5,000,000,  
(IF THE LOAN IS TO A MANUFACTURER THE 504 2nd CAN BE  
\$5,500,000)

## **RATES, TERMS, AND FEES**

- Bank sets rate on their first mortgage loan. If SBA term is 20-25 years, bank term must be at least 10.
- SBA-504 2nd mortgage is fixed for 25, 20 or 10 years.
- Bank must pay a one-time fee of 1/2 of 1% fee to SBA for participating in the program.
- All SBA 504 bond costs are financed into the loan.
- SBA 504 loans are assumable.

## **COLLATERAL**

- Typically project collateral stands for the loan on SBA-504 loans.

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## **HOW DO WE APPLY?**

Pick up the phone and call us. We can talk about specifics of your project. We will meet with the borrower and go over a one page checklist of what we will need to process the loan. Typically we can give very quick feedback with the following starter application:

- Preliminary description and outline of the project cost.
- Resume and Personal Financial Statement on principals. Personal Financial can be on a bank form.
- Last three years profit and loss and balance sheet on the business.
- Current profit and loss and balance sheet on the business no older than 90 days.
- Copies of the last three years tax returns both personal and business.
- Articles of Incorporation and Bylaws, Partnership Agreement, or Articles of LLC Organization.
- Two years projections if a start-up.

## **CONTACT**

**Randy Griffin at 706-210-2010 (rgriffin@csrardc.org), Diane Masters at 706-210-2011 (dmasters@csrardc.org)  
or Cody Shepherd at 762-333-8045 (cshepherd@csrardc.org)**

### **CSRA Business Lending**

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