

SBA 504 Loan Program

WHAT IS IT?

ADA provides financial and technical assistance to small, minority and female-owned businesses to expand and/or relocate in the city. The SBA-504 Loan Program offers businesses a unique source for 90% financing. Loans are available through certified development companies certified under the U. S. Small Business Administration 504 Certified Development Corporation Program.

Details

To be eligible, projects must meet the following requirements—(1) owners must occupy at least 51% of space; (2) acquisition of fixed assets (i.e., land and building); (3) new construction (67% occupancy); (4) renovation; and (5) machinery and equipment.

Ineligible projects include—(1) working capital and (2) refinancing.

Loans may be up to \$1.5 million or 40% of total project costs (up to \$2 million if the company meets a public policy goal). 504 loans for “Small manufacturers” may be made up to \$4 million.



Typical Transactions

Source of Funds	Amount	Collateral
Bank	50%	1st Mortgage
ALDC	40%	2nd Mortgage
Equity	10%	

Terms

Term of Loan: 20 years real estate or a combination of real estate
And machinery/equipment

Interest rates: Fixed for term of loan, based on 10-year Treasury Note, priced monthly. Loans funded through private sale of debentures.

Assumability: The SBA-504 portion is assumable.

Eligible Borrowers: Most for-profit businesses with less than \$6 million in net worth; less than \$2 million after tax profits, or less than 500 employees.

Fees: Processing and servicing fees are paid out of debenture proceeds.

Prepayment: 10% penalty the 1st year, decreasing by 1% to the 10th year.