

## 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 1<sup>st</sup> year, decreasing by 1% to the 10<sup>th</sup> year.