

BENEFITS OF

SBA 504

LOAN PROGRAM

Found that perfect building, but your banker says you need 30% down?

Can't afford 30%? Plus pay for renovations and soft costs and still have enough working capital left over for expansion? Well, the East Texas Regional Development Company can help you by making you a loan to buy that building through the SBA 504 loan program. Only 10% down by you. All project costs are included-land, building, renovations and soft costs. The loans are long term and provide a low fixed interest rate. The SBA 504 loan program can even finance the machinery you need to buy. Interested?

Please note*

Equity of 15-20% is required for start-ups and business with irregular profitability, lack of historical debt service ability, a short track record for single purpose properties.

504 TYPICAL

LOAN STRUCTURE



40% SBA 504

10%
BORROWER

50% BANK

Financing on Typical \$1 Million Project

Lender	Loan Amount	% of Project	Security
ETDRC/SBA	\$400,000 + Fees	50%	1st lien
Borrower	\$100,000	10%	2nd lien
Total Project	\$1,000,000	100%	

SBA 504

LOAN PROGRAM



Business Lending

ETDRC

EAST TEXAS

WWW.ETDRC.COM
REGIONAL DEVELOPMENT CO.
903-984-3989

504

Deal Structure

Financing

You determine the total project cost. A bank or other financial institute finances 50% of the cost and takes a first mortgage (lien) position on the assets financed. The ETDRC through the SBA 504, finances 40% of the project cost and takes a second mortgage position. You can put as little as 10% equity.

Amount of 504 Loan

- The ETDRC can lend you up to 40% of the project cost with a dollar cap of \$1,500,000.
- ETDRC can exceed \$1,500,000 and go up to 2,000,000 of SBA 504 financing under the following conditions
 - the project will help revitalize a business
 - community with a written revitalization plan
 - the project will help your company to expand its exporting
 - your company is 51% or more minority, women or veteran owned
 - you are locating in a rural area
 - the project will increase productivity and competitiveness with imports
 - your business was affected by federal budget cutbacks.

What are Permitted Uses of 504

Loan Proceeds?

- Acquisition of vacant land for construction of a building
- Acquisition of land and building

- Leasehold improvements
- Renovation of building; addition to building
- Construction of a building
- Acquisition of a commercial fishing vessel or party boat
- Acquisition of heavy duty machinery & equipment (10 years, life or longer)
- Associated soft costs: title searches & insurance; attorneys' fees; appraisals; environmental reports; architects; permits; surveys;
- installation of machinery; points on bridge loans; small amount of furniture and fixtures, etc.
- Not permitted are mortgage broker fees; points on permanent financing; moving expenses.
- Refinancing is not permitted except to take out financing on property acquired within last 9 months with interim funds.

Rates and Terms

The rate on the SBA 504 portion is set when the ETDRC sells the bond to fund your loan. The rate is then fixed for the loan term. 504 bonds are amortized securities. Historical rates can be found at www.etrdr.com. The effective rate (APR) will include program fees and a loan loss subsidy.

Loans are ten or twenty years; self liquidating. In order for the ETDRC to do a 20 year loan, the lender doing the 50% permanent first mortgage must have at least a ten year term. That lender can have a longer payout. Typically, lenders will lend with a 15-20 year term

and 20-year payout. For a ETDRC to do a ten-year loan, the 50% lender must have a term of at least 7 years. Many lenders will match ETDRC's ten year term.

Principals (owners)

- Owners must be US citizens or registered aliens with green card.
- Owners cannot be convicted felons or currently on probation.
- Anyone who owns 20% or more of the operating company must personally guarantee (unsecured general guarantee).
- Liquid assets of the principals are taken into account in determining eligibility.
- Too much liquid assets owned by a principal could disqualify the loan because it will be deemed that the project could be financed by the principal without SBA 504 assistance.

