



CDC New England

SBA 504 Loan Program

www.cdcnewengland.com

THE SBA 504 PROGRAM PROVIDES AN IDEAL FINANCING OPTION FOR:

- Special-use property acquisitions with higher down payments typically required by banks.
- Customers seeking lower down payments in order to preserve cash for working capital.
- Customers seeking to lock-in a portion of their financing at a fixed rate for a 20 year period.

ELIGIBLE BORROWERS:

- For profit businesses.
- Tangible net worth not to exceed \$15 million.
- Net profit after taxes not to exceed \$5 million during previous 2 years.
- 51% occupancy for acquisition of existing real estate.
- 60% occupancy for new construction.

ELIGIBLE USE OF FUNDS:

- Purchase land, purchase a building, or construct a building.
- Modernize, renovate or improve building.
- Purchase machinery and equipment with 10 year useful life.
- Refinancing of up to 50% of expansion amount.
- Maximum project size: no limit.
- Maximum 504 loan: \$5 million.
- Maximum 504 loan for manufacturing and energy projects: \$5.5 million.

INELIGIBLE BORROWERS INCLUDE:

- Non profits.
- Lending institutions, insurance companies.
- Speculative development.
- Gambling concerns and private clubs.

INELIGIBLE USE OF FUNDS:

- Goodwill.
- Inventory.
- Working capital.
- Rolling stock (vehicles).

BANK PARTICIPATION:

- Minimum 10 year term on real estate, minimum 7 year term on machinery and equipment.
- Market rate and fees.
- Covenants established by lender.
- One time 1/2% fee to SBA on Bank's permanent 1st mortgage loan. (Typically paid by the borrower.)

504 APPROVAL PROCESS:

- CDC New England can usually deliver an approval 2-3 days after SBA receipt of a completed application.

504 PROCESSING & GUARANTEE FEES:

- 2.65% of 504 loan (subject to change) - all fees are financed in the debenture.

OTHER REQUIREMENTS:

- Personal guarantee by 20% or greater owner of operating company and/or real estate entity.



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CDC New England is a Certified Development Company providing SBA 504 loans throughout New England. With over 33 years of lending history, CDC New England, along with its affiliate, BDC Capital, manages a portfolio of \$600 million.

THE PROGRAM: SBA 504

- Commercial loans for businesses acquiring fixed assets.
- Fixed rate below market financing.
- Financing for real estate and equipment.
- Term of 20 years for real estate, 10 years for equipment.
- The asset may be owned by a separate entity.

ADVANTAGES OF SBA 504:

- Long-term below market fixed rate financing.
- Borrower equity requirement as low as 10%.
- Customer can obtain up to 90% financing.
- Bank can participate in larger transactions.
- Bank enjoys first lien at 50% LTV at market rate.
- Bank sets its own rates and fees.
- Borrower receives an expedited closing and low legal fees.

THE PRODUCT: SBA 504 LOAN

Rate: 5 or 10 yr. Treasury bond rate plus approximately 250 to 300 basis points.

Structure:

50% Bank in 1st Lien

40% 504 in 2nd Lien

10% Equity

- Start-up or Special Purpose Building will require 15% equity.
- Start-up and Special Purpose Building will require 20% equity.

EXAMPLE:

	BANK	CDC/SBA	BORROWER	TOTAL
LOAN AMOUNT	\$500,000	\$400,000	\$100,000	\$1,000,000
%OF PROJECT	50%	40%	10%	
TERM	10 YR NOTE	20 YEARS	EQUITY	
INTEREST RATE	MARKET	FIXED		
COLLATERAL	1st LIEN	2nd LIEN		

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