

2011 Small 504 Lender of the Year



About

The 504 Loan Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land, buildings and large equipment. Typically, a 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50% of the project cost, a loan secured with a junior lien from the MSBF (backed by a 100% SBA-guaranteed debenture) covering up to 40% of the cost and a contribution of at least 10% equity from the small business being helped. The borrower's contribution may be greater for new businesses or special use buildings.

Maximum Debenture

The maximum SBA debenture is \$5,000,000 when meeting the job creation criteria or a community development goal. Generally, a business must create or retain one job for every \$65,000 (\$100,000 per job for small manufacturers) provided by the SBA. The maximum SBA debenture for small manufacturer is \$5.5 million. Please contact our staff if you have questions regarding job creation criteria, public policy goals or need assistance to determine possible status as a small manufacturer.

Use of Proceeds

Proceeds from 504 Loans must be used for fixed asset projects such as purchasing land and improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping construction of new facilities, or modernizing, renovating or converting existing facilities or purchasing long-term machinery and equipment. The 504 Loan Program cannot be used for working capital or inventory. Refinancing may be available on a case-by-case basis.

Terms, Interest Rates and Fees

Interest rates on 504 Loans are pegged to a spread above the current market rate for five-year and 10-year U.S. Treasury issues. Maturities of 10 and 20 years are available. Fees total approximately 2% of the debenture and may be financed with the loan.

Collateral

Generally, the project assets being financed are used as collateral. Personal guarantees of the principal owners are also required.

Eligible Business

To be eligible, the business must be operated for profit and fall within the size standards set by the SBA. Under the 504 Program, the business qualifies as small if it does not have a tangible net worth in excess of \$15.0 million and does not have an average net income in excess of \$5.0 million after taxes for the preceding two years. Loans cannot be made to businesses engaged in speculation or investment in rental real estate.

Midwest Small Business Finance's staff works directly with the SBA and private sector lenders to approve the 504 Loan. We prepare all required forms, close and provide all necessary servicing during the entirety of the 504 Loan.

For further information on the 504 program, call 816-468-4989 or email Julie DeOrnellis at julied@simplymoreloans.com