



MCDC's experienced staff will work with you through every step of your SBA loan from initial questions and authorization to closing and funding. You will appreciate our **knowledge** and **experience** when we partner with you and your customer to explain the entire process and deliver timely **results**.

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KNOWLEDGE.
EXPERIENCE.
RESULTS.

**SBA 504
Loan
Program**

504

The SBA 504 Loan Program is an economic development loan program that provides small businesses with long-term, fixed-rate financing for the acquisition of major fixed assets such as land, buildings, machinery and equipment. The SBA 504 is primarily designed to assist healthy, expanding businesses that have been in operation for more than two years. In certain instances, the SBA 504 may also be used to finance start-up businesses.

Financing Michigan businesses since 1982, MCDC is fully committed to the economic success of business owners in Michigan. One hundred percent of our business operations and 100 percent of our profits remain in the state and are invested in growing Michigan's economic base.

Buy, build or remodel commercial and industrial buildings with minimal investment.



www.michigancdc.org



98% of all U.S. businesses are eligible for SBA loans.

Criteria

The SBA's 504 loan is primarily designed to assist healthy, expanding businesses that have been in operation for more than two years. In certain instances, the 504 loan may also be used to finance start-up businesses.

Eligible Businesses

For-profit businesses with:

- A tangible net worth of less than \$15 million; and
- Average net profit, after tax, of less than \$5.0 million for the past two years.

Eligible Purposes

- Purchase of land, building, machinery and equipment (real estate must be at least 51 percent owner occupied).
- Expansion and construction.
- Limited refinancing of existing debt.

Ineligible Purposes

- Working capital or venture capital.
- Rolling stock such as cars, trucks and buses.
- Goodwill or inventory.

SBA Contribution Limit

The maximum dollar amount the SBA may contribute toward any single project or borrower is typically \$5.0 million.

Project Size

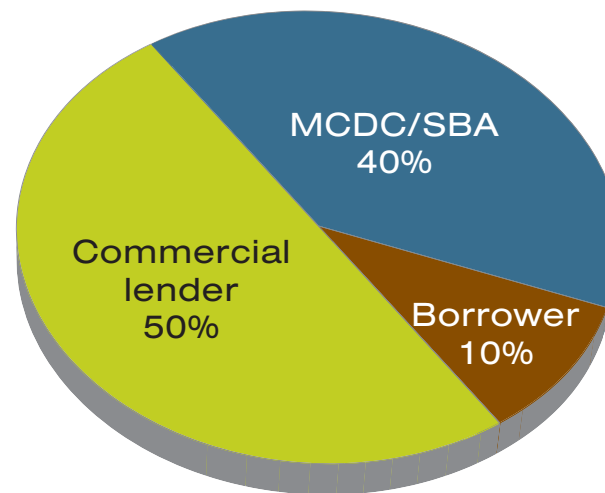
Projects typically range from \$250,000–\$15 million.

SBA Loan Terms

Twenty years for real estate and 10 years for machinery and equipment.

Loan Structure

MCDC must partner with a commercial lender on the SBA 504 loan. Typically, the SBA finances 40 percent of the project, a lender will finance 50 percent, and the borrower contributes only 10 percent. Additional equity will be required for start-ups and special-use properties. In the end, the borrower has two separate loans: one with the lender and one with the MCDC/SBA.



Interest Rates

The SBA interest rate is fixed for the entire life of the loan. Rates are usually below those offered by conventional lenders. Please visit our website for current rates.

Guaranty

The SBA requires personal guarantees of the principals owning 20 percent or more of the business.

Fees

SBA fees are reasonable and typically financed with the loan. Please contact us for specifics related to your project.

Processing Time

MCDC is well staffed and experienced, which equates to exceptional turn-around time and superior customer service. MCDC can obtain a full SBA loan commitment in 5–10 business days.

Advantages for Small Businesses

- Lower down payment requirements. Borrow up to 90 percent of your financing needs, thus saving money for working capital.
- Longer repayment terms. Real estate can be financed for 20 years, making your monthly loan payment more affordable.
- Low, fixed interest rates. The low interest rate is fixed for the life of your SBA loan. No need to worry about the interest rate going up.

Advantages for Lenders

- Lower risk with a 50 percent LTV.
- Lender gets first lien position.
- 504 loans are eligible for CRA credit.
- No SBA paperwork to complete.
- 504 loans effectively extend lender limits to serve larger clients.
- Ready secondary market for lender's first mortgage loan.

Take advantage of the benefits of a fixed, below-market interest rate and a 20-year term, with as little as 10% down.