

Overview

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.

Eligible Businesses

For-profit businesses.

Ineligible Businesses

- Passive income and real estate companies.
- Financial institutions.
- Non-profit businesses.

Eligible Purposes

- Purchase of land, building, machinery and equipment (real estate must be at least 51% owner occupied).
- Expansion and construction.
- Refinancing.

Ineligible Purposes

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

Business Size Standards (including affiliates)

- Tangible net worth less than \$15 million.
- Average net profit less than \$5 million for the past two years.

Borrower Contribution/Equity Injection

- A minimum of 10% unless...
- The business is considered a start-up, then 15%; or
- If the project involves a limited or single purpose building, then 15%.
- At least 20% if both a new business and special purpose property.

Project Size

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

SBA Portion

- \$5 million typically or...
- \$5.5 million for manufacturing or energy efficiency.
- The 504 loan may not exceed 40% of the total project.
- No more than 50% of the financing can come from federal sources.

Job Creation

- One new job must be created or retained for each \$65,000 debenture or \$100,000 for manufacturing, unless it meets one of the community/public policy goals.

Leasing

- 51% owner occupancy required if project involves purchase of an existing building.
- For new construction borrower must occupy 60% immediately, additional 20% within three years, remaining 20% may be leased out long term.

SBA Loan Terms

- 20 years for real estate.
- 10 years for machinery and equipment.

Public Policy and Community Goals

- Business district revitalization.
- Expansion of minority, woman, or veteran enterprise (51% or more ownership).
- Rural development.
- Energy efficiency.
- Improving, diversifying, or stabilizing the local economy.
- Assisting businesses in labor surplus areas as defined by the Department of Labor.

