

## 504 Loan Process

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### APPLICATION SUBMISSION

- Initial analysis of creditworthiness
- Loan structuring
- St. Mary's Bank approval

2

### SBA Approval

- Complete application signed and dated
- Submission of application to SBA

3

### INTERIM FINANCING

- 504 loan authorization issued
- St. Mary's Bank closing
- Interim loan distribution
- Purchase/Construction/Reno is completed

4

### Closing/Debenture Sale

- Project complete – Loan proceeds distributed
- SBA final review (payoff of SMB time note)
- Two mortgage payments

## Application Checklist

- Corporate tax returns for business and affiliates
- Interim financial statements for business and affiliates
- Schedule of debts
- Most recent aging of accounts receivable and payable
- Two-year projection of income and expenses with assumptions
- Owner's personal financial statement
- Owner's last 3 years income tax returns
- Copy of Driver's license
- Personal data sheet
- Detailed breakdown of costs
- Documentation of equity injection
- Articles of Incorporation, Bylaws and/or Operating Agreement
- Application deposit
- Real estate appraisal\*
- Environmental Report\*
- Life insurance\*

*\*It's vital to obtain these early in the process as they can be time-consuming*

## Refinance Checklist

*In addition to the application checklist items:*

- Copies of current promissory note and recorded mortgage for debt being refinanced
- Transcript showing borrower's on-time payments for at least one year for debt being refinanced OR transcript from the date of original loan, if refinancing with the same institution
- Detailed breakdown of original project costs
- Documentation of equity injection if the appraised value of the project assets is not sufficient to meet equity requirements
- Real estate appraisal dated within 12 months of application



## Key Points

No Cash Out: Advance Rate – 90% loan to value max

Cash Out: Advance Rate – 85% loan to value max

Credit Quality: Minimum 12-month history of no late payments

## Typical 504 Projects

- Medical facilities
- Manufacturers
- Industrial buildings
- Office buildings/condos
- Child care facilities
- Restaurants
- Animal care facilities
- Assisted living facilities
- Sports arenas
- Professional offices
- Retail stores
- Mini storage facilities
- Irrigation equipment
- Auto repair centers



The 504 Loan Program is owner-occupied real estate and equipment financing. SBA created the 504 to provide small businesses with long-term, fixed-rate financing for the expansion of their business.

## WHO QUALIFIES?

- Most for-profit, owner-occupied small businesses in the U.S. with a net worth less than \$15 million
- Net profit after-tax (2 year average) of no more than \$5 million (including affiliates)
- Will occupy at least 51 % of the project property, or 60% of a new construction
- Equipment will be used for business operations

## BENEFITS FOR BORROWERS

- Low down payment (10% in most cases)
- Low, fixed interest rate on 504
- Long loan term
- Include soft costs
- Include leasehold improvements
- Payment stability
- Preserves working capital
- Protection from balloon payments
- Keep your lender

## OCCUPANCY

- 51 % for existing facilities/buildings (renovations and expansions)
- 60% for new construction (must occupy 80% within ten years)

## ELIGIBLE USES OF FUNDS

- Land
- Acquisition of an existing building new construction
- Building expansion or renovation long-term equipment
- Refinance of qualifying debt furniture and fixtures
- Leasehold improvements Professional fees
- Other costs such as appraisals, fees, permits, etc.

## INELIGIBLE USE OF FUNDS

- Working capital
- Inventory
- Goodwill assets from business purchase
- Franchise fees
- Investment in rental real estate

## INTEREST RATE & TERMS

- Fixed-rate
- Fully amortized over the life of the loan (no balloons)
- Real estate - 10 or 20-year term
- Equipment - 10-year term
- Rate locked when debenture is sold

## LOAN AMOUNT LIMITS (SBA PORTION)

- \$5 million (typical projects)
- \$5.5 million (manufacturers)
- \$5.5 million (energy initiatives or public policy goals met)
- No maximum lending limit on participating lender's portion

## JOB CREATION/RETENTION

- One job for every 65,000 of the debenture (for most projects)
- One job for every 100,000 of the debenture (for manufacturers)
- Projects are excluded from the job requirement goals if a Public Policy Goal is fulfilled

## PUBLIC POLICY GOALS

- Rural development
- Women, Minority, or Veteran ownership
- Enhancing economic competition
- Expanding exports
- LEED certified projects
- Revitalizing economic development areas
- Generating renewable energy
- Reducing energy consumption by at least 10%

## TYPICAL FINANCING STRUCTURE

- 50% of the project's total cost is provided by a lending institution
- 40% is provided by St. Mary's Bank as a 504 loan
- 10% equity is provided by the applicant small business/borrower (higher equity requirements exist for start-ups or special purpose properties)

**1-800-950-8850 | [stmarysbank.com](http://stmarysbank.com)**

St. Mary's Bank is a member-owned credit union. Membership is open to anyone with purchase of one share of capital stock for \$5. Federally insured by NCUA.