

SBA 504 LOAN PROGRAM

504 LOAN OVERVIEW

SBA's 504 loan program is a long-term financing tool designed to encourage economic development within a community. The 504 Program provides small businesses with long-term, fixed-rate financing to acquire major fixed assets for expansion or modernization.

USE OF PROCEEDS

- Fixed asset financing including: land, land improvements, building construction, renovation of buildings, purchase of long term machinery or equipment.
- Some projects may qualify for refinancing.

ELIGIBLE BUSINESSES

- For profit, existing or new small business which creates or retains jobs.
- SBA size eligibility:
 - ◆ Net worth less than \$15MM
 - ◆ 2-year average net income less than \$5MM (including affiliates)

INTEREST RATE

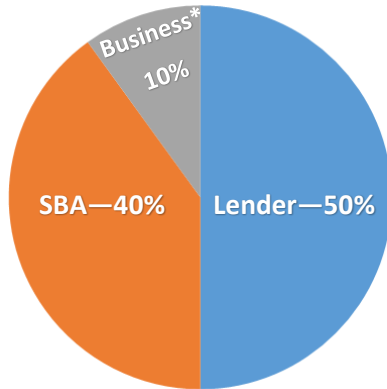
- Fixed rate determined by debenture sale, plus loan servicing.

TERM OF LOAN AND PROJECT COST

- 10, 20 or 25 year terms.
- Minimum project cost of \$300,000.
- SBA's maximum portion is 40% or project cost up to \$5MM, or
- Up to \$5.5MM per project for qualified manufacturers or renewable energy/energy efficiency projects.
- Total project cost is not limited.
- No maximum limit on lender's loan.

LENDER PARTICIPATION

- Lender takes 50% of project cost.
- SBA takes subordinate position to lender.
- Lender rate can be fixed or floating.
- Lender pays one-time fee, 0.5% of the first mortgage permanent loan.



504 Participation

*Business equity may vary

BORROWER'S INJECTION

- 10% for existing business (>2 years)
- 15% for startup **or** *Special Purpose*
- 20% if project is **both** a startup & *Special Purpose*

Note: A borrower's second *Special Purpose* project requires a 20% injection.

PREPAYMENT PENALTY

- Applies to first half of term:
 - ◆ 5 years of 10 year loan
 - ◆ 10 years of 20 & 25 year loan

FINANCING COSTS

- Approximately 3% x SBA loan for processing and bond sale services (these amounts included in SBA loan & closing costs can be included).

JOB CREATION/RETENTION

- SBA portion cannot exceed \$75,000 for each job created/retained; otherwise, a community development or public policy goal is required.

OWNER OCCUPANCY

- 60% - New construction
- 51% - Building purchase

PERSONAL GUARANTEES

- Required of 20% owners.
- May be required for other owners depending on the designated guarantor.
- Minimum of one personal guarantor.

BRIGHTBRIDGE CAPITAL

OFFICE

506 Broad Street
Chattanooga, TN 37402

BrightBridge provides the 504 loan throughout Tennessee and in select counties in adjacent states. Contact us for details.



CONTACT

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REFINANCING

The option to use the 504 loan to re-finance existing debt now includes eligible fixed assets and business expenses.

Previously, only projects that included expansion of the business could include refinancing. However, this type of refinancing remains available and is offered under another section of the program.

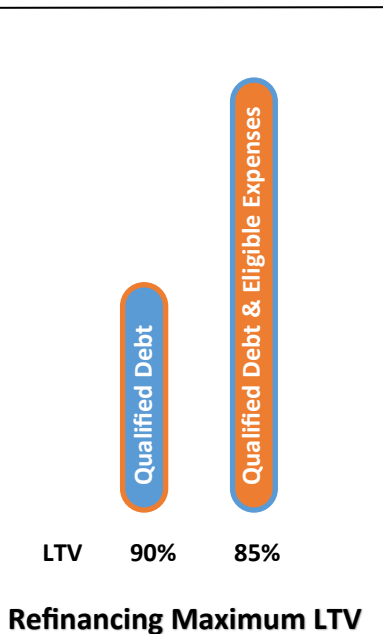
REFINANCING REQUIREMENTS

QUALIFIED DEBT

- For refinancing only, no expansion of the business.
- Refinanced debt is a commercial loan for a project that would have been 504 eligible.
- One or more commercial loans can be refinanced.
- Existing SBA and USDA loans are not eligible.
- Must meet a job creation goal or involve another economic goal.
- Business entity at least 2 years old without any ownership change during the last 24 months—and the new project cannot include ownership change.
- Debt must be at least 2 years old with bank transcripts showing the loan has not been more than 30 days past due for the 12 month period prior to loan submission to SBA (copies of note, deed of trust, etc. are needed to verify debt eligibility).
- Certification from lender providing the refinance that it is not shifting a potential loss to SBA.
- Borrower equity may come from current value of collateral.
- The refinanced debt must be secured by owner occupied real estate or major capital equipment.
- Maximum 90% LTV.

ELIGIBLE BUSINESS EXPENSES

- Eligible business expenses incurred but not paid prior to the date of application *or* that will become due within 18 months after the date of application can be refinanced.
- Maximum 85% loan to value (LTV).
- Examples of eligible expenses:
 - ◆ Inventory
 - ◆ Rent
 - ◆ Utilities
 - ◆ Salaries



INCREASED MAXIMUM & MULTIPLE LOANS PER BUSINESS

- Qualified manufacturers or renewable energy/energy efficiency projects can borrow up to **\$5.5MM** per project.
- Lifetime limit of three (3) energy initiatives allowed per borrower.
- Business owners seeking additional 504 financing may be eligible even if they have committed or outstanding SBA loans.

504 PROJECT EXAMPLES

- Assisted living facilities
- Bowling alleys
- Breweries
- C stores
- Car washes
- Child Care franchise
- Dental offices
- Franchise restaurants
- Grocery store
- Heavy machinery
- Hotels
- Manufacturers
- Marinas
- many more

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