



San Fernando Valley
Small Business Development Corporation

SBA 504 Program

The 504 Loan Program allows small business owners to purchase an industrial or commercial building at below-market interest rates with a minimum of ten percent down payment or equity injection. The loan proceeds may be used to purchase or remodel an existing building, construct a new facility or to purchase equipment with a minimum economic useful life of 10 years.

Loan Amount

Generally, up to 90% of the total project cost or appraised value of the property, whichever is the lesser amount (including the private lender and the CDC). There is no minimum on the total project size. However, CDC debenture cannot exceed a maximum of \$2.0 million for most businesses and \$4.0 million for manufacturers.

Typical Structure

The 504 program requires the participation of a private lender for a portion of the borrowed funds. The lender makes a loan to the borrower in the first deed lien position for 50% of the total project. CDC issues a loan in the second trust deed lien position for 40% of the total project. Borrower contributes 10% of total project.

Terms

The private lender portion can be amortized over a minimum term of 10 years or up to a maximum of 25 years. Rate term and fees are negotiable between borrower and lender.

The CDC portion can be offered with two term options of 10 or 20 years fully amortized.

Interest Rates

The interest rate on a 504 loan is set at closing and will be **up to** the ten-year U.S. Treasury issues plus 2%.

Fees

There will be a fixed fee of \$1,000 for an application fee/legal review plus a 2.25% of the debenture amount plus all closing/out-of-pocket fees. These may be financed in the 504 loan.

Requirements

Most small businesses meet the basic size 504 eligibility requirements of: Business Net Worth not to exceed \$7.5 million, average Net Profit after taxes for 2 consecutive years not to exceed \$2.5 million or qualify under 7(a) size standards which are based on either number of employees or maximum level of annual revenue and this criteria is dependant upon industry sector.

Other requirements include: 51% owner occupancy for existing building purchase, 60% owner occupancy for new construction and if equipment, it must have a minimum 10 year economic life.

For more information, please contact:

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