



Oakland County
Business
Finance
Corporation

**A United States
Small Business Administration
Certified Development Company**

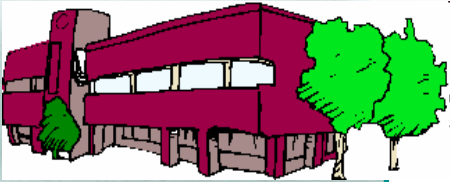
Administering the SBA 504 Loan Program in Michigan

The SBA 504 Loan Program Goals

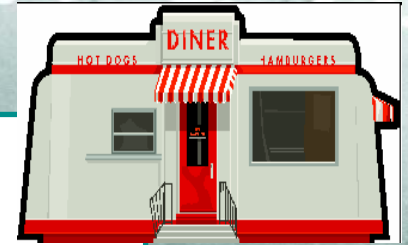
- Economic Development
- Provide competitive long term financing for business expansion
- Enhancement Financing

The SBA 504 Loan Program

Types of Eligible Businesses



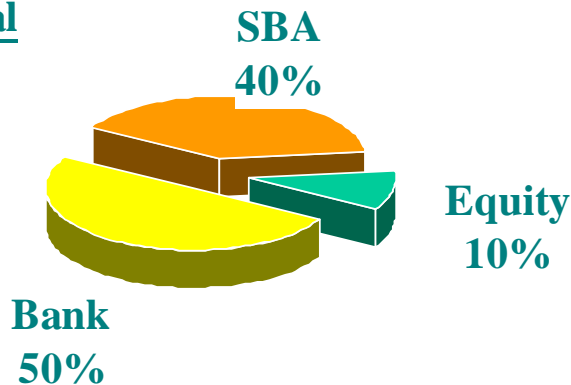
- Manufacturing
- Retail
- Wholesale/Distributing
- Service
- Construction



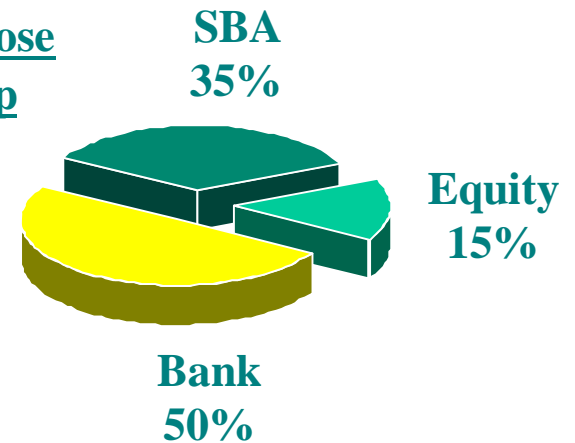
The SBA 504 Loan Program

Sample Financing Combinations

Typical



Special Purpose or Start Up



Special Purpose & Start-Up



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SBA Participation

- SBA's loan is “take-out” financing
- Bank funds interim financing, typically 90%, and end financing of 50%
- SBA issues up-front commitment to finance its portion of the project

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Eligible Project Costs

- Land and improvements
- Building construction, acquisition, expansion or renovation
- Equipment acquisition (new and used)
- Furniture and fixtures
- Professional fees
- Interest, fees and points on interim bank loan

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Eligible Project Costs

Owner Occupied Real Estate

- 51% occupancy of existing building
- 60% initial occupancy on new construction; 80% within 10 years

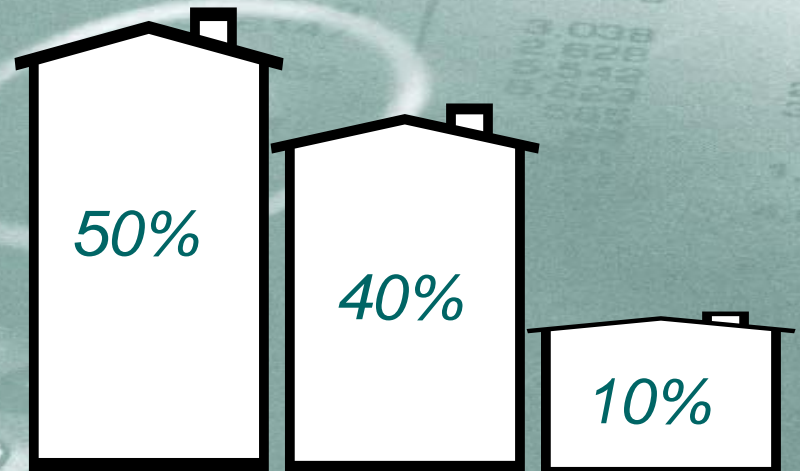
The SBA 504 Loan Program

Ineligible Project Costs

- Working Capital
- Taxes
- Bank Fees on end loan
- Vehicles, airplanes
- Counselor, finder or franchise fees

The SBA 504 Loan Program Project Size

- Projects range between \$150,000 and \$10,000,000.
- SBA maximum up to 40% of the total project costs to a typical maximum of \$1,500,000;



The SBA 504 Loan Program

Maximum Loan Size

Manufacturing or

Energy Production/Efficiency:

- SBA maximum of \$4,000,000

Public Policy Goal :

- SBA maximum of \$2,000,000

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Public Policy Categories

- **Minority/Woman/Veteran Owned Business**
- **Business District Revitalization**
- **Expansion of Exports**
- **Rural Community Development**
- **Enhanced Economic Competition**
- **Restructuring due to federal mandates**
- **Energy Efficiency/Sustainable Design**

The SBA 504 Loan Program

Eligible Small Businesses

- Tangible net worth less than \$8.5 million (including affiliates)
- Average annual net profit after tax for the previous two years of less than \$3.0 million.
- Principals owning 20% or more must meet personal resources test.

The SBA 504 Loan Program Equity Injection

- Cash



- Land



- Land and Building Equity
 - Seller Financing

The SBA 504 Loan Program

Jobs Creation Criteria

- One job must be created or retained for every \$65,000 the SBA lends unless the business meets a public policy goal*.



*Minority/woman/veteran business, revitalization, exporting, rural area, enhanced competition, federal mandates, energy efficiency.

The SBA 504 Loan Program

SBA Loan Terms

Real Estate and Equipment

- SBA: 10 or 20 year note
- Bank: 10 year note

Equipment only

- SBA: 10 year note
- Bank: 7 year note

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Credit Criteria

- Existing or projected cash flow from business operations is adequate to pay both existing debt and the proposed project debt
- Sufficient collateral to secure the loan
- Sufficient working capital to sustain the projected growth of the company

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Collateral

- Lien on the fixed assets financed with the loan proceeds
- Personal guarantee(s) of any person owning 20% or more of the applicant passive and operating companies
- May require additional collateral

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May 2009 Rates

- 20 Year Debenture
5.37%
- 10 Year Debenture
5.04%

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Interest Rate

- Fixed for the full term of the loan
- Determined at monthly bond sale after the project is complete
- Quoted effective rate includes the note rate plus a 1.2% on-going servicing fee

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Prepayment

- Declining prepayment penalty for the first half of the term of the loan
- Allowed to prepay with 45 days written notice
- Debentures are assumable

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Fees

- A one-time up-front fee paid by the bank equal to **1/2 of 1%** of the bank's end loan
- A one-time processing fee of approximately **2.15%** of the SBA's portion of the loan
- An ongoing servicing fee of approximately 1.2% of the SBA's loan
- Loan closing fees of approximately \$2,500

The SBA 504 Loan Program

Temporary Elimination of Fees

- **Bank Participation Fee**

½ of 1% on bank's end loan
and

- **CDC Processing Fee**

1.5% of SBA end loan

* Until 12-31-2009 or funding runs out



The SBA 504 Loan Program

Sustainable Design

Eligible for \$2,000,000 maximum SBA debenture!

- Use of sustainable design as defined by LEED standards



The SBA 504 Loan Program Energy Efficient Project



Eligible for \$4,000,000
maximum SBA debenture!

- Project generates renewable energy or fuels;
- Project reduces borrower's energy consumption by 10%

The SBA 504 Loan Program

Debt Refinancing - Coming Soon

- Project must involve some expansion
- Proceeds will be used to acquire fixed assets
- Must be fully secured by fixed assets
- Borrower is current on all existing debt payments for not less than 1 year
- New financing will provide better terms/reduced rate

*Refinancing can include existing conventional or SBA financing, but cannot exceed 50% of the total new project

The SBA 504 Loan Program

Benefits

- Low down payment
- Long term financing
- Fixed interest rate
- 90% - 100% financing available
- SBA subordinate to primary lender

