



## THE SBA 504 LOAN PROGRAM: AN UNIQUE ALTERNATIVE FOR SMALL BUSINESS FIXED ASSET FINANCING

The SBA 504 Loan Program is designed to help small business owners expand through the purchase of fixed assets - either real estate or equipment - at below-market interest rates and long repayment terms. This powerful and unique financing tool provides up to 90% financing and offers many advantages over conventional financing programs and well as excellent benefits for your lending institution.

### Loan Structure

- A lender typically finances 50% of the project costs and takes a first mortgage position on the assets financed with a minimum term of 10 years for real estate and seven years for equipment.
- PADD typically finances 40% of the project cost up to a cap and takes a second mortgage position with a term on 20 years for real estate and 10 years for equipment. The 504 loan rate is fixed with level debt payments.
- The borrower puts in as little as 10% equity (depending on age of business and/or if the financed real estate is a special purpose structure, up to 20% equity are required)

### Program Benefits:

- Businesses with a maximum tangible net worth of not more than \$15 million and average net income after Federal income taxes (excluding carry-over losses) for the two full fiscal years prior to application of not more than \$5 million are eligible for 504 financing
- Loan amounts up to \$5 million for standard and public policy projects and \$5.5 million for manufacturing and green initiative projects (SBA amounts only; no limit on overall project dollar size)
- Debt refinancing to be used for refinancing of qualified existing debt without business expansion (temporary program)

### Benefits for participating Lenders:

- Expands your business loan portfolio
- Minimizes collateral risk
- Puts your lending organization in a first lien position with an attractive loan-to-value
- Allows your lending institution to make its own credit decisions with its own loan documentation
- Pricing is at the lenders discretion
- PADD can work directly with the 504 applicant, saving your staff valuable time
- Many 504 loans can be completed in 60 days, which is just as fast as a conventional loan
- Ability to sell the first mortgage on the secondary market for substantial fee income and preserved liquidity
- Make a deal happen that might not have worked with conventional financing alone

### 504 Highlights

- Purchase, construction, expansion or renovation of owner-occupied commercial real estate and/or the acquisition and installation of long-life machinery and equipment
- Up to 90% commercial financing
- Below-market, true fixed interest rates - no ARMs
- Amortization terms up to 20 years
- Fees and other up front costs and expenses may be financed in the loan

### About PADD:

The PADD is a certified development company which administers the 504 loan program on behalf of the Small Business Administration. PADD prepares the loan documents and handles all of the details of the 504 loan, including credit underwriting, approval, closing and servicing of the loan for its life.

***Start your relationship with PADD.  
Contact a Loan Officer today.***



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