



THE SBA 504 LOAN PROGRAM: A SMARTER FINANCING OPTION FOR COMMERCIAL REAL ESTATE

Imagine having a financing tool at your disposal that can help you sell more commercial real estate quickly and easily. The SBA 504 program is just such a tool.

The 504 loan program was designed for small business owners desiring to expand through the purchase of commercial real estate. This powerful yet affordable and available financing option offers buyers many advantages over conventional financing, including better cash flow as well as the greatest cash-on-cash returns that exist in the commercial mortgage industry today.



Loan Structure

- The key to the 504 loan program is its distributed credit structure: a commercial bank provides financing for 50% of the project and takes a first lien position; PADD provides up to 40% of the project financing (SBA portion) and takes a second lien position; and the small business owner provides a down payment of just 10% (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:

- Attract more buyers with up to 90% financing at below market, fixed interest rates and long amortization terms (up to 20 years)
- 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)
- Many 504 loans can be completed in 60 days, which is just as fast as a conventional loan
- 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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