

The SBA 504 Loan Program

Highlights

- Commercial Real Estate and Capital Equipment financing for small business owners
- Up to 90% financing is available for existing businesses
- Long-term, fixed interest rate

Loan Structure

- A Bank/Private sector lender typically provides 50% of the financing (this portion of the loan can not be less than the SBA 504 share of the loan). The lender will take a First Mortgage position and charge a market interest rate.
- The SBA 504 Loan is available for up to 40% of the project cost with a maximum of \$5MM and a minimum of \$25K (\$5.5MM is available for manufacturers and businesses meeting the SBA's energy efficiency public policy goal). The 504 loan will take the Second Mortgage position and be tied to a fixed interest rate.
- The small business is required to put 10% down on the project (15% if the business is a start-up OR is purchasing a single purpose facility, 20% if the business is both a start-up AND purchasing a single purpose facility).

Use of Funds

- Buy, Build or Renovate commercial real estate
- Purchase of capital equipment/machinery for business use

Items being financed act as collateral for the project (appraisals, title insurance, engineering, architectural and environmental costs can be included).

Eligibility Requirements

- The business must be a for-profit
- Have a net worth less than \$15MM and net profit of no more than \$5MM (two year average after taxes)
- The borrower must occupy 51% of an existing building or 60% of new construction
- Individuals owning 20% or more of the business must act as personal guarantors.

Interest Rates

Interest rates tied to the SBA 504 portion of the loan are set once a month with the sale of a bond on the New York market. These rates are fully amortized over the life of the loan.

- Rates are fixed for 20-years on commercial real estate
- And 10-years for capital equipment/machinery (*the 10-year bond sells only in odd numbered months*)

SBA Guaranty Fees

- The borrower pays a onetime origination fee of 2.65%
- and a bank participation fee of 0.5%

In addition to the SBA Guaranty fees, the borrower will pay attorney closing costs of \$2,000 plus applicable recording and title costs. (*These fees are typically financed as part of the loan.*)

SBA Prepayment Penalty

There is a prepayment penalty if borrower voluntarily prepays in the first half of the life of the loan.



Colorado Lending Source is the state's not-for-profit, small business financing expert. Over our two decade history, we have worked with small businesses to create and retain more than 16,500 jobs across Colorado while helping to pump \$750 million into the state's economy.

The mission of Colorado Lending Source is to foster the economic growth of diverse small businesses within our communities.

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