What’s a 504?

• 504 is a loan program created by the SBA to finance the commercial real estate and equipment needs of small businesses

• The program offers a long-term, competitive fixed interest rate

• It’s designed to assist for-profit businesses operating in the U.S.

Why Successful Lenders Use 504

• Participating lenders receive a “first lien” position on project property

• A low loan-to-value strengthens lender’s loan portfolio

• The program’s fixed interest rate can help the lender be more competitive

• Most soft costs may be rolled into the project financing

• A secondary market provides additional income opportunities

• Helps to get projects done when borrowers don’t have enough equity

LiftFund’s Five C’s of Economic Development

What Can 504 Finance?

• Purchase of land (with intention to build)

• Purchase of existing building

• Construction of new buildings

• Renovating, expanding, or upgrading existing buildings

• Machinery and equipment with useful life of 10 or more years

• Some furniture, fixtures and equipment

• Debt Refinancing
How Much Does the Borrower Need to Put Down?
• 10% (in most cases)
• 15% for start-up businesses (less than 2 years) or special-purpose facilities
• 20% if the project is both a start-up and a special-purpose facility

How Much Can a Business Borrow?
There is no limit to the total project cost. However, the SBA portion of the 504 financing cannot exceed:
– $5 million
– $5.5 million for manufacturers or green energy efficiency projects
– There is no maximum limit placed on a participating lender’s loan portion

Typical Financing Structure
- Bank Loan (1st Lien)
- SBA/CDC Loan (2nd Lien)
- Owner’s Equity

504 Cannot be Used for:
• Working capital
• Inventory
• Real estate investment properties
• Goodwill
• Automobiles, trucks and other rolling stock
• Tenant improvements
• Franchise fees

Sample Projects Financed
• Medical/Dental/Veterinarians
  – Offices and clinics
  – Outpatient surgery centers
  – Hospitals and labs
• Suppliers/Wholesalers
  – General warehouses and cold storage
  – Import/ Export/ Freight-forwarding
  – Food and produce suppliers
• Manufacturers
  – Industrial and consumer
  – Steel and pipe fabrication
  – Food processing
  – Chemical plants
  – Automotive industry suppliers
  – High-tech
• Retail/ Franchise Businesses
• And many more...

For more information, please contact:
Bob Schraitle
San Antonio
210.885.1292
Cruz Montoya
El Paso/New Mexico
915.490.8010
Mina Penn
San Antonio
210.201.8513
Toll Free 888 215 2373
Liftfund.com

© 2016 LiftFund, All Rights Reserved. This institution is an equal opportunity provider and employer.