NEPA BFC - SBA 504 Loans
Real Estate & Equipment
Financing for Your Small Business Clients
SMALL BUSINESS ACCESS TO WALL STREET FINANCING

SBA 504 LOANS: GREAT OPPORTUNITIES FOR FINANCIAL INSTITUTIONS

If your small business clients don't have 20-30% equity for a loan to purchase real estate or machinery & equipment, partner with NEPA Business Finance Corporation for a SBA 504 loan to meet their needs. In most cases, projects can be funded with as little as 10% equity from the small business borrower.

There are significant benefits for lenders and their small business clients by using the SBA 504 Loan Program. And most of your small business clients will qualify.

SBA 504 LOAN BENEFITS FOR BANKS

FAVORABLE LOAN TO VALUE: Banks benefit with a first lien position and usually a 50% loan-to-value ratio, minimizing collateral risk.

LESS IS MORE: Project financing at 90% means that more of the customer's funds remain on deposit. This allows for building a stronger relationship and increased opportunity for future business.

LOAN TO MORE CUSTOMERS: You can spread your loan portfolio over more customers and assist more businesses while diversifying your default risk and reducing loss in the event of default.

LIMITED EXPOSURE FOR LARGER PROJECTS: Through SBA 504 loans, smaller banks can finance and participate in larger projects. Larger banks can limit their exposure to certain categories and/or to a particular borrower. Regulatory concerns are reduced through the reduction of CRE loan concentration on your balance sheet.

EXPAND YOUR CUSTOMER BASE: A SBA 504 loan can become the basis of an entirely new banking relationship. SBA 504 loans are designed to support growth companies and business owners who are investing in permanent facilities these companies are often entering into their largest business-related loan.

SECONDARY MARKET WARMING UP: There is an active 504 secondary market available, this can reduce a banks’ exposure to nearly zero and enhancing their non-interest income while retaining the customer’s primary banking relationship.

SUPPORTS EARNINGS GROWTH: Pricing of the bank’s loan is totally at its discretion. The bank can earn fees and interest on the interim loan, and generate fee income from sale premiums and loan fees if it chooses to sell the first mortgage loan in the secondary market.

COMMUNITY REINVESTMENT ACT CREDIT: SBA 504 loan participating banks are eligible for Community Reinvestment Act (CRA) credit on certain projects.
LOAN AMOUNTS

There is no project cost limit, but the SBA can fund a maximum of 40% of the project cost up to $5,000,000. NEPA BFC, using SBA 504 loan funding, can go as high as $5,500,000 for eligible manufacturing projects and for projects that incorporate energy saving technologies for sustainable design.

THE THREE PARTNERS PROVIDE A SHARE

Banks typically finance 50% of the project cost with a commercial loan at current market rates. (Interim financing may also be required for construction projects which could increase fee and interest revenue. The Interim financing is paid off from the proceeds of the SBA 504 loan at the completion of the project.) The SBA finances up to 40% of the project cost, and the small business borrower provides a down payment that can be as low as 10%.

Bank Loan–50% SBA 504 Loan–40% Borrower–10%

Your bank loan has a minimum 10-year term when the debenture is 20 years and a 7-year term when the debenture is 10 years. Your bank sets the interest rate and fees and also establishes the covenants.

NEPA-BFC MAKES IT EASIER

As a Certified Development Company (CDC), NEPA-BFC is committed to making the process as smooth as possible for all parties. Unlike other Government loan programs, the CDC is actively involved at every stage resulting in less bureaucratic hassle and limiting the amount of paperwork for the lender. We work with the lender and small business to process, approve, close and service the SBA 504 loan.

Who Qualifies?

- An applicant has to be operating a U.S. based for-profit business, structured as a corporation, sole proprietorship, partnership, LLC, etc., that, collectively has a tangible net worth of less than $15 million and profit after taxes of less than $5 million.
- The business must also occupy at least 51% of its property for existing buildings or 60% of a newly constructed building.
- If two or more unrelated small businesses combine to meet occupancy requirements, they can receive an SBA 504 loan.
- SBA 504 loans can NOT be used for working capital, mortgage broker fees, bridge or interim loan during the construction period, business inventory or rolling stock (i.e. vehicles).
- Businesses owned by persons who do not have permanent legal resident status, businesses having restrictions on patronage, are government-owned, are a consumer or marketing cooperative, are engaged in loan packaging, have previously defaulted on a federal loan, are engaged in political or lobbying activities, or are speculative businesses are all ineligible.
THE BORROWER BENEFITS TOO

- **EXPANDED CASH FLOW THROUGH LOW DOWN PAYMENTS**: SBA 504 loans offer an affordable down payment so the small business can conserve working capital to meet operating needs.

- **COMPETITIVE INTEREST RATES FOR LONG TERM FINANCING**: Since SBA 504 real estate financing is for 20 years, at fully amortized financing, the small business owner pays for a facility over the long term, avoids risky loan call provisions and enjoys lower monthly payments.

- **FIXED RATE FINANCING**: Long term fixed rates allow for better planning in an ever fluctuating business environment.

- **MULTIPLE OPTIONS FOR STRUCTURING PROPERTY OWNERSHIP**: The small business owner can structure real estate purchases to best suit their situation. They can hold title to a building personally, in the name of the business or even set up a holding company for the real estate. Multiple businesses can qualify for a 504 loan by creating a real estate holding company. That approach has been beneficial to professionals in the legal, accounting, medical, veterinary and other concerns.