NEPA BFC - SBA 504 Loans
~ Long Term Financing ~
~ Competitive, Fixed Interest Rates ~
~ Low Down Payments ~
Borrowing with SBA 504 - Small Business Loan Program

As a Certified Development Company (CDC), NEPA Alliance Business Finance Corporation (NEPA-BFC) is authorized by the Small Business Administration to provide small businesses with affordable fixed rate financing through the SBA 504 Loan Program. These funds can be used for expanding business needs including real estate, machinery and equipment purchases.

Small Business Access to Wall Street Financing

Funding is provided by the SBA selling a 10 or 20 year bond to investors on Wall Street. This enables small business owners access to funds at fixed, low interest rates, typically only available to large corporations. These bonds are attractive to investors since they are guaranteed by the full faith and credit of the U.S. Treasury.

The Three Partners Provide a Share

Your bank typically finances 50% of the project cost with a commercial loan at current market rates. The lender may also provide a construction loan (also known as bridge or interim financing), that is paid off from the proceeds of the SBA 504 loan. 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%.

Loan Amounts Up To $5.5M

There is no project cost limit, but the SBA can lend you up to 40% of the total cost up to $5,000,000 depending on the type of project. 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 SBA 504 loan amount is linked to the number of jobs that will be created or retained by the project. A small business applicant must create and/or retain jobs OR meet a community development goal or public policy goal (i.e. minority, veteran or women owned business) to qualify for an SBA 504 loan. As a guide, an entrepreneur can borrow $65,000 in SBA 504 loan funding for each job created and/or retained within two years of the project’s completion.

Loan Particulars

The term of SBA 504 loans are for 10 or 20 years depending on use of the funds. When the SBA sells the bond to fund the loan the interest rate for the loan is determined and fixed.

The monthly payment includes program fees and a loan loss subsidy fee that are added onto the interest and principal payment. These loan fees are financed as part of the loan and are not required as a closing expense for the small business borrower.

There are no balloon payments for SBA 504 loans since they are fully amortized. However, there is a prepayment premium for the first half of the loan term that decreases each year.
The Process

A SBA 504 loan is a partnership between the Small Business Administration (SBA), a CDC (NEPA-BFC), and a lender. CDCs like NEPA-BFC are economic development organizations that have been certified by the SBA to process 504 loans. While the SBA has final say over approval of loan applications, NEPA BFC works with the small business borrower to process, approve, close and service the SBA 504 loan. NEPA-BFC is committed to making the process as smooth as possible for all involved.

How You Qualify

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.
Getting Started

How Do You Get Started 1, 2, 3

1. Contact a loan officer at NEPA BFC to review and evaluate your project and your business. The loan officer will assist you to structure the financing to meet your specific needs.

2. Then contact your bank for a meeting to determine if they will participate by providing the permanent first mortgage and the interim construction loan for your project. It is likely your bank has an SBA or government-guaranteed lending advisor who is familiar with SBA 504 loans.

3. Complete and submit your application for an SBA 504 loan, and once approved, begin your project.

In the last 40 years over $59 billion has been loaned through the SBA 504 program and two million jobs have been created or retained through over 125,000 loans nationwide.