FINANCING YOUR NEXT STEP

How 504 Loans Work

A Typical $1 Million Project

50% — **Bank or Other Lender**
$500,000 / First Lien

40% — **SBA 504 Loan**
$400,000 / Second Lien

10% — **Borrower Equity**
$100,000 / Owner Contribution

Fees at a Glance

Out of Pocket. An application fee is required when Community Ventures accepts the application for processing.

Included in Loan. SBA administrative costs and legal closing fees are funded through the loan.

Lender Participation Fee. SBA requires a one-time fee equal to one-half percent of the senior portion (the bank or other lender's permanent financing) of the project.

Explore SBA 504 Financing

Scan to visit our webpage.
cvky.org/sba-504-loan-program/

COMMUNITY VENTURES

Your Kentucky Lending Partner

Community Ventures is a trusted nonprofit resource for small businesses. We are a certified U.S. Small Business Administration (SBA) lender and a recognized leader in small business lending in Kentucky.

Serving All of Kentucky

Community Ventures, an SBA Certified Development Company, serves the entire state of Kentucky and has provided SBA 504 loans to borrowers since 2000.

LET'S TALK ABOUT YOUR NEXT STEP

(859) 231-0054 ext. 1005

504Loans@cvky.org

1450 North Broadway
Lexington, KY 40505

This document is for information purposes only and is not a complete summary of SBA 504 policies and requirements. Each applicant is responsible for determining, understanding and following all program policies and requirements.

This institution is an equal opportunity provider and employer.

EQUAL OPPORTUNITY LENDER

community ventures

Your Dream. Our Mission.

SBA 504 Loans

Long-term financing for
land, building, and equipment.



Build the Next Chapter of Your Business.

cvky.org/sba-504-loan-program/

SBA U.S. Small Business Administration

THE 504 LOAN PROGRAM

Financing That Helps Small Businesses Grow.

- Promotes the growth of small and medium-sized businesses.
- Expands access to favorable, long-term fixed-asset financing.
- Accessed through a Certified Development Company, certified and regulated by the SBA.

HOW IT WORKS	The SBA 504 Loan provides a maximum of 40% permanent financing of eligible project costs and takes a second lien on the collateral. A bank or other lender, selected by the applicant, finances 50% of the project and takes a first lien on the collateral. The applicant, in most cases, provides the remaining 10%. Typically, the lender will provide 90% of the project costs until project debenture funding at which time the proceeds are applied to the interim loan reducing the lender's loan to 50% of the project.
START-UP BUSINESSES	If the small business has been in operation for 2 years or less, the small business must provide an additional 5% of eligible project costs, thereby reducing the SBA 504 loan participation to 35%.
SINGLE PURPOSE BUILDING	If the project involves a limited or single-purpose building, the small business must provide an additional 5% of eligible project costs, thereby reducing the SBA loan participation to 35% (or 30% if the business is also a start-up). Examples of single-purpose buildings include hotels, gas stations, car washes, bowling alleys, etc.
BENEFITS TO SMALL BUSINESSES	10, 20, or 25 year, fixed rate financing; low fixed interest rate; 10% down payment, typically (except single-purpose and start-ups); conserve working capital for business growth; soft costs can be included in project financing; most small businesses are eligible.
ELIGIBLE COMPANIES	For-profit business located in the United States. Business owners must be 100% U.S. Citizens. Tangible net worth not to exceed $20 million and average net income after Federal income taxes for the two full fiscal years prior to application may not exceed $6.5 million.
ELIGIBLE PROJECT COSTS	Purchase of land (plus improvements); construction of new building(s); purchase of an existing building plus necessary renovations; acquire and install machinery/equipment with a useful life of 10 years; furniture and fixtures if essential to and a minor part of the project; and professional fees (title insurance and searches, surveys, environmental reports, appraisals, attorney fees, architect/engineering fees, interim interest, loan fees, etc.).
MAXIMUM LOAN	$5,000,000 for most 504 loans and $5,500,000 for small manufacturers and borrowers whose project generates renewable energy or fuels.
OCCUPANCY REQUIREMENTS	Business must occupy at least 51% of an existing building (may lease up to 49%). For a newly constructed building, the business must occupy 60% of the space initially, may permanently sublease 20% and temporarily sublease an additional 20% with the intention of using some of the additional 20% within 3 years and all of it within 10 years.
JOB REQUIREMENTS	One job must be created over a two-year period for each $95,000 of SBA investment. However, small manufacturers and energy public policy projects must create one job for every $150,000 in funding borrowed. The job requirement may be waived if other Community Development or Public Policy goals are met.
REAL ESTATE OWNERSHIP	Eligible Passive Company (EPC) and certain trusts may hold title to the real estate and lease the facility (lease terms must match or exceed the 504 terms) to the small business.
GUARANTEES	Personal guarantees are required of all principals owning 20% or more of the business, and in cases where an EPC holds the title to the real estate, a corporate guarantee is also required.
APPRAISALS	SBA requires appraisals on real property financed with SBA 504 loan proceeds. For equipment only deals, new equipment may be financed on the basis of cost, but used equipment must be appraised. All appraisals must be performed by either a state licensed or state certified appraiser.
ENVIRONMENTAL	SBA requires that an environmental investigation be performed on every project; however, the level of investigation varies according to the historic use of the project real estate.
PREPAYMENT OF LOAN	A 504 loan may be prepaid only in full. A declining prepayment premium applies during the first five years of a 10-year debenture and the first 10 years of a 20- or 25-year debenture. For accelerated payments, consider reducing the first mortgage balance if no prepayment terms exist.