

What is the SBA 504 Program?

A loan program provided by the U.S. Small Business Administration which is based on Co-Lender financing between a traditional provider and the SBA. It is designated to facilitate the acquisition of capital assets for small businesses. ATRDC is a certified development company



**Helping to turn
your small business
dream into reality**



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ATRDC Inc. is a program of the
Ark-Tex Council of Governments



ATRDC SBA 504

Ark-Tex Regional Development Company, Inc.
A program of the Ark-Tex Council of
Governments



**Affiliate program provides
Revolving Loan Fund
Services for
qualified applicants**

Who Can Qualify?

- For-profit, owner occupied small businesses
- Net worth no more than \$15 million (including affiliates)
- Net profit after tax (2-year average) of no more than \$5 million (including affiliates)
- Manufacturers with 500 or less employees (including affiliates)

Eligible Use of Funds

- Acquisition of Existing Land and Building
- New Construction
- FF&E and Major Equipment
- Building Expansion/Renovation
- Qualified Loan Fees
- Lender's Interim Points and Interest
- Debt Refinance

Ineligible Use of Funds

- Working Capital
- Inventory
- Goodwill Assets
- Franchise Fees
- Leasehold Improvements

Maximum Gross Debenture (SBA Portion)

- \$5 million (typical project)
- \$5.5 Million Manufacturer)
- \$5.5 million (if Public Policy or Green Initiative is met)

Occupancy

- 51% for existing facilities/buildings (renovations/expansions are eligible)
- 60% for Ground Up Construction Projects (must occupy 80% within 10 years)

Interest Rate & Terms

- Fixed Rate based on Treasury Rates
- Fully Amortized over life of loan (no balloon)
- Real Estate may be 10 - 25 year term
- Machinery & Equipment may be 10 or 20 year term (based on the useful life)
- Rate "locks in" when the SBA funds the debenture
- Declining prepayment penalty for 1/2 of term

Borrower's Injection

- 10% in most cases
- 15% for Start Up Businesses (less than 2 years in operation) or Special Purpose Property
- 20% if the project is both a start Up and Special Purpose or if 2nd SBA loan
- Equipment Only loans may qualify with 10% or 15% injections

Public Policy Goals

- Rural Development
- Women, Minority or Veteran Owned (Ownership of 51% or more)
- Revitalizing Economic Development Area
- Enhancing Economic Competitiveness
- Expanding Exports
- Areas impacted by Federal Budget Cutbacks
- Projects that reduce energy consumption by at least 10% (Green Initiative Eligible)

Job Creation/Retention

- One job for every \$75,000 of the debenture (for most projects)
- One job for every \$120,000 of the debenture (for manufacturers)
- Projects are excluded from the job requirement if a Public Policy Goal is fulfilled

Benefits for Lenders

- 1st lien position and low Loan-to-Value strengthens private lender's loan portfolio
- Decreased risk for lender
- Secondary market provides additional income opportunities
- CRA Credits on SBA portion of loan
- Eligible soft cost may be rolled into the project financing

Benefits for Borrowers

- Finance up to 40% of the project at a long term, fixed rate
- Lower equity contribution, as little as 10% of the project to preserve working capital
- Eligible soft costs may be rolled into the project financing
- For Expansion Projects - provides opportunity for debt refinancing

CALL ATRDC FOR DETAILS
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