



INDIANA & KENTUCKY'S 504 PARTNER

504 Loan GUIDE

Premier Capital

A 504 project is a participation between a bank or credit union and the U.S. Small Business Administration (SBA) to provide permanent financing to eligible for-profit businesses for the purchase, renovation or expansion of owner occupied commercial real estate and/or long term fixed assets.

Owner Occupied

- The occupancy of the operating company must be at least:
 - 51% when purchasing an existing building
 - 60% for new construction (80% long term)

Eligible Projects

- Purchase of an existing building
- Purchase of land & new construction
- Expansion or renovation of currently owned facility
- Purchase of machinery & fixed equipment
- Asset based company acquisition

Eligible Soft Costs

- Zoning/Permits
- Utility deposits/communication systems
- Appraisal & environmental fees
- Architect & borrower attorney fees
- Title insurance & mortgage recording costs
- Landscaping/paving/signage
- Interim interest
- Contingencies for cost overruns
- Heavy equipment moving expense

Project Structure

50% Bank loan (1st lien position)
40% 504 loan (2nd lien position)
10% Cash injection by borrower*

* 15% for single purpose building, start-ups, or change of ownership

*20% if any two or all three apply

- SBA Certified Development Company (CDC)
- Established in 1976
- Accredited 504 lender
- 504 portfolio over \$100 million
- Indiana's #1 504 lender 2012, 2013 & 2014
- Territory: Indiana & Kentucky & contiguous states

Fixed Rates

- The 504 loan rates are fixed for the entire term
- The 504 loan can be one of two terms:
 - 20 years - real estate and some fixed assets
 - 10 years - real estate and fixed assets

Collateral

- Real estate being financed
- UCC filings on equipment being financed
- Key man life insurance assignment is normally required

Guarantees

- Full guarantee of principals and/or entities with 20% or more ownership of either the operating company or the real estate holding company

Fees

- The 504 processing fee is rolled into the 504 note*
- The servicing fee is imbedded in the all-in FIXED 504 rate & included in the 504 monthly payment
- The 504 bank fee is .5% of the 1st mortgage
*Approximately 2.66% of the SBA portion of the project

Prepayment

- The 504 loan can be paid off at any point during the term of the loan
- There is a declining prepayment penalty on the first half of the 504 term
- There is no prepayment penalty on the last half of the 504 term

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This sheet provides the basics of SBA 504. For complete details or questions about a specific project contact Premier Capital Corporation. Premier Capital Corporation is a 501(c)3 private, not-for-profit corporation and an equal opportunity lender.

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Job Creation Standards

- There is no job creation requirement when the business meets a Public Policy Goal (*see below*)
- If public policy goals are not applicable, then 1 job created or saved (over 2 years following closing) based on the amount of the 504 portion of the project, as follows:
 - * 1 job for every \$65,000 for non-manufacturers
 - * 1 job for every \$100,000 for manufacturers*Manufacturing must meet job creation goals or meet SBA 7(a) standards*

Public Policy Goals

- Veteran owned
- Minority owned
- Woman owned
- Aiding rural development
- Revitalization district
- Labor surplus areas
- Expansion of exports
- Modernizing or upgrading facilities to meet health safety, and environmental requirements

Borrower Benefits

- 90% financing on most 504 projects
- Fixed rate for 504 term, 10 or 20 years
- Provides borrowers a means to expand their business
- Provides borrowers a means to move out of leased space into their own building
- Preserves the borrower's working capital

Ineligible Projects

- Not-for-profit companies
- 504 projects less than \$125,000
- Real estate development or speculative businesses
- Finance companies, e.g., bank, check cashing or finance companies
- Businesses deriving more than 1/3 of gross annual revenues from legal gambling
- Businesses that limit membership for reasons other than capacity
- Religious based businesses
- Businesses or owners that have defaulted on a federal loan e.g., student loan
- Businesses of prurient sexual nature
- Under most circumstance cannot refinance existing debt

504 Debt Refinance

504 Debt Refinance is available to eligible businesses who are refinancing existing non-SBA debt or are expanding their current building and/or equipment.

Bank Benefits

- First lien position at 50% LTV
- Can offer customer 90% financing on most 504 projects
- Bank can provide potential borrower the 504 as an option to conventional financing
- No monthly reporting
- No monthly servicing fee

Example 504 & Conventional \$500,000 project, 20 year financing

	504	Conventional
Equity requirement	10%	20%
Bank loan - LTV - 50% - 80%	\$250,000	\$400,000
504 loan - LTV - 40%	\$200,000	
Bank rate	6.00%	6.00%
504 all-in fixed rate	4.82%	
Bank monthly payment	\$1,791	\$2,866
504 monthly payment	\$1,300	
Total monthly payment	\$3,091	\$2,866
Equity requirement	\$50,000	\$100,000
504 closing costs*	\$2,750	\$0
Cash due at closing	\$52,750	\$100,000

*504 closing cost includes \$1,500 - \$2,500 attorney fee .5% bank fee of \$1,250