

SBA 504 lender guide

Helping bankers help business owners

Premier Capital partners with lenders to provide long-term financing for eligible owner-occupied commercial real estate and equipment. We are a nonprofit Certified Development Company serving Indiana and eligible Kentucky communities.

A typical project structure

50% Typical lender financing Typically a first lien	40% Up to 40% SBA 504 financing Typically a second lien	10% At least 10% from borrower Cash or eligible equity
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The minimum borrower contribution generally rises to 15% for a new business or limited/special-purpose property, and 20% when both apply. A new business generally means two years or less in operation at approval. Additional equity or collateral may be required.

What the program can finance

- Eligible land and existing buildings; new construction, renovations and expansions.
- Long-term machinery and equipment with at least ten years of useful remaining life, plus eligible project-related costs.
- Qualifying fixed-asset debt refinancing, with or without expansion. Eligible business expenses may be included only when the applicable refinancing rules permit. Ordinary inventory, goodwill and working capital are not standard 504 uses.

Key eligibility points

- **Business and size.** An eligible for-profit operating business must meet an SBA size standard. The alternative standard is no more than \$20 million tangible net worth and \$6.5 million average after-federal-tax net income for the preceding two completed fiscal years, including affiliates and excluding carry-over losses.
- **Ownership.** All direct/indirect owners and SBA-required guarantors must satisfy current U.S. citizenship or U.S. national status and principal-residence requirements. Entity owners must be organized in the United States, its territories or possessions.
- **Occupancy.** Existing buildings require at least 51% business occupancy. New construction requires at least 60% initially, planned expansion into remaining space and no more than 20% permanently leased to others.
- **Credit and economic development.** Demonstrated repayment ability and applicable job creation/retention or other economic-development objectives are required. Premier and the lender review the full project and ownership structure.

From first call to funding

Bring Premier Capital into the project early.

Loan terms at a glance

504 maturities of 10, 20 or 25 years depend on the assets financed. Standard 504 exposure is generally limited to \$5 million for a business and its affiliates; qualifying small-manufacturer and energy projects may receive up to \$5.5 million per project. These limits apply to the 504 portion, not total project cost. Existing SBA financing and eligibility must be reviewed.

The lender partnership

- 1. Plan.** Review project location, cost, ownership, timing and proposed financing.
- 2. Apply.** Provide the financial and project information for Premier, loan committee and SBA review.
- 3. Prepare.** Coordinate lender approval, appraisal, environmental review and interim financing.
- 4. Close and fund.** Complete closing requirements. Premier coordinates the scheduled 504 debenture funding with the lender.

Typical initial review checklist

- Project summary, location, use of property/equipment, cost breakdown and proposed financing.
- Business ownership and affiliate information, management background, and required borrower/guarantor details.
- Business financial statements and federal tax returns; current interim statements and debt schedule. Projections and supporting assumptions when needed.
- Purchase agreement, construction/renovation estimates or equipment quotes, as applicable.
- Lender term sheet or commitment, proposed borrower contribution and its source; existing debt details for a refinance.

The exact document list varies by transaction. Additional SBA forms, appraisal, environmental and closing documents may be required. Send sensitive records through our secure upload, not an ordinary website message.

Rates, fees and project estimates

504 rates are set at funding. SBA fees and available waivers depend on approval fiscal year and project type; lender, CDC, legal and other closing costs also vary. Some eligible costs can be financed. Request a current written project estimate.

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Program overview only. Loan eligibility, credit approval and final terms depend on the specific transaction and current SBA requirements.