

The United States Small Business Administration 504 Loan Program (SBA), makes loans to small and medium sized businesses for the purchase of fixed assets, such as equipment or real estate. Loans are funded through the monthly sale of debentures coordinated by the SBA's central servicing agent. The purpose of the program is to provide healthy, expanding or start-up businesses with long term financing to promote economic development and focus on job creation. Please ask your Loan Specialist for current rates and terms.

## Use of Loan Proceeds:

- Purchase land, Construct, purchase, renovate or modernize buildings
- Purchase machinery and equipment with 10 year useful life
- Soft eligible costs (ask the CDC Loan Specialist for details)
- Minimum/maximum SBA debenture issue: \$25,000 - \$5,500,000\*
- Job creation: one per \$65,000\*\* of SBA guaranteed dollars

## Loan Structure

- A third party lender (usually a bank) finances approximately 50% of the project cost and receives a first lien on the project assets. The third party lender must offer a minimum term of 7 years for equipment and 10 years on real estate at their own market interest rates and fees.
- The SBA can finance up to 40% of the remaining costs, secured by a subordinate lien on the project assets. SBA provides 10 year fully amortized loans on equipment to 20 years for real estate, at an interest rate fixed when SBA funding occurs.
- The borrower provides the balance of the project costs (10-20%)

## Borrower's Injection

- Minimum 10% of total eligible project
- Cash
- Equity in real estate
- Loan
- Limited Use or Single Purpose Facility (additional 5%)
- Start-Up Business (less than 2 years in operation) (additional 5%)

## Eligible Borrowers

- For profit businesses (corporation, partnership or proprietorship)
- Tangible net worth not to exceed \$15.0 million\*\*\*
- Net profit after taxes not to exceed \$5.0 million during previous 2 years\*\*\*

\*Up to \$5,500,000 for small manufacturers or if the project generates renewable energy or renewable fuels, such as biodiesel or ethanol production

\*\*Job creation requirements may vary if the project is a manufacturing facility or meets one of several public policy goals

\*\*\*Subject to change based on SBA's definition of a small business

Terms subject to change without further notice.



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