

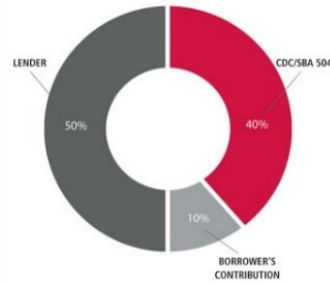
SBA Loans



Gesa Credit Union

What is the SBA 504 Program?

The SBA 504 loan program provides funding for small businesses to cover costs associated with fixed assets - owner-occupied commercial real estate and capital equipment. For businesses that qualify, this government-guaranteed program provides up to \$5 million in loans.



<p>Who can qualify?</p> <ul style="list-style-type: none"> • Most for-profit, owner-occupied small businesses in the U.S. • Net worth less than \$15.0 million • Net profit after tax (2-year average) of no more than \$5.0 million (including affiliates) <p>Eligible use of funds</p> <ul style="list-style-type: none"> • Land • Acquisition of Existing Building • New Construction • Fixed Assets from Business Acquisition • Building Expansion/Renovation • Long-Term Equipment • Lender’s Interim Points & Interest • Debt Refinance • Debt Refinance with Expansion Projects – debt refi may not exceed 100% of the new expansion costs <p>Ineligible user of funds</p> <ul style="list-style-type: none"> • Working Capital • Inventory • Goodwill Assets from Business Acquisition • Franchise Fees 	<p>Borrower’s injection</p> <ul style="list-style-type: none"> • 10% for established business in operation at least 2 years acquiring a general-purpose property • 15% for Start-Up Businesses (less than two years in operation) or acquiring a Special-Purpose Property • 20% if the project is both a Start-Up and Special-Purpose Property • Equipment-Only loans may qualify with 10% down or 15% injections <p>Interest rate and terms</p> <ul style="list-style-type: none"> • Long-term Fixed-Rate • Fully Amortized over 20 or 25 years (No Balloon) • Real Estate - may be 10, 20, or 25-year term • Machinery & Equipment - may be 10 or 20-year term (based on useful life) • Rate “locks-in” when the SBA funds the debenture • Pre-Payment Penalty - 20 Year Loan- 10 Year declining Pre-Pay, 10 Year Loan - 5 year declining Pre-Pay <p>Occupancy</p> <ul style="list-style-type: none"> • 51% for existing facilities/buildings (renovations and expansions are eligible) • 60% for Ground-Up Construction Projects (must occupy 80% within ten years) 	<p>Job creation/retention</p> <ul style="list-style-type: none"> • One job for every \$75,000 of the debenture (for most projects) • One job for every \$100,000 of the debenture (for manufacturers) Projects are excluded from the job requirement if a Public Policy or Community Development Goal is fulfilled <p>Benefits for borrowers</p> <ul style="list-style-type: none"> • Finance up to 40% of the project at a long term, fixed rate • Lower equity contribution, as little as 10% of project to preserve working capital • Decreased risk for lenders • Eligible soft costs may be rolled into the project financing • For Expansion Projects – provides debt refinancing opportunity
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What is the SBA 504 loan program used for?

Loans obtained through the SBA 504 program are typically used to pay for capital investments in tangible assets and infrastructure. Land and buildings are among the most common items these loans are used to pay for; equipment used in warehouses and machines used during manufacturing are also qualifying expenses in most cases, though. The purpose of these loans is to help start-ups and growing companies that would otherwise not be able to afford these necessary assets by providing low down, long-term, fixed rate loans that can be paid back over time. These assets also act as the collateral used to secure the loan.

What are the loan amount parameters of an SBA 504 loan?

Loans can range from \$100,000 to \$5.5 million, depending on the project and eligibility requirements.

The funding for these loans usually comes from three sources. The business is expected to front 10 percent of the loan's total. Private financial institutions provide 50 percent, and a government-approved Certified Development Company (CDC) makes the remaining 40 percent available.

What is the SBA 504 loan program application process?

The application process for an SBA 504 loan involves many forms, as one might expect a government-backed loan to. One of the first forms that must be filled out is the SBA Form 1244 – Application for Business Loan. The SBA will also ask for a Personal Financial Statement, early in the application process.

To apply for an SBA 504 loan, contact your Gesa Credit Union SBA Relationship Manager

All loans are subject to underwriting and credit approval.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND OR MODIFY CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OR DEBT ARE NOT ENFORCING REPAYMENT OF DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON STATE LAW.