

# 504 Loan Program Overview

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*Office of Financial Assistance*



# What is the 504 Loan Program?

The SBA 504 Loan program is a powerful economic development loan program that offers small businesses an avenue for business financing, while promoting business growth and job creation.

- Public/Private Partnership
- Long-Term/Fixed-Rate Financing
- Local Economic Development



# SBA Certified Development Companies

- Certified Development Companies (CDCs) are pivotal participants in the delivery of the 504 program.
- CDCs are:
  - Licensed, regulated and supervised by SBA
  - Not-for-profit corporations servicing a defined area of operations
  - Primary purpose is fostering economic development.



# Funding Source and 504 Loan Activity

- The 504 loan program has been in existence assisting small businesses for over 30 years. There is no geographic funding restriction.
- The program operates at zero-subsidy which means there is no cost to the U.S. taxpayer.
- The 504 program is financed through debentures sold on Wall Street. There are always funds available for loans.
- The 504 Loan Program has a \$7.5 billion authorization for the regular 504 program and an additional \$7.5 billion for 504 debt refinance without expansion.

# 504 Loan Eligibility

- **Small Business Size** - Under the 504 Program, a business qualifies if it has a tangible net worth not more than \$15 million, and an average net income of \$5 million or less after federal income taxes for the preceding two years prior to application.
- **For Profit/Not Passive or Speculative** - To be eligible for a 504 Loan, your business must be operated for profit and cannot be engaged in passive or speculative activities.
- **Job Creation/Retention Requirements** (does not apply to Energy Policy Loans) –
  - Regular 504-- 1 job per \$65,000 provided by SBA
  - Small Manufacturing– 1 job per \$100,000 provided by SBA



# Loan Amounts

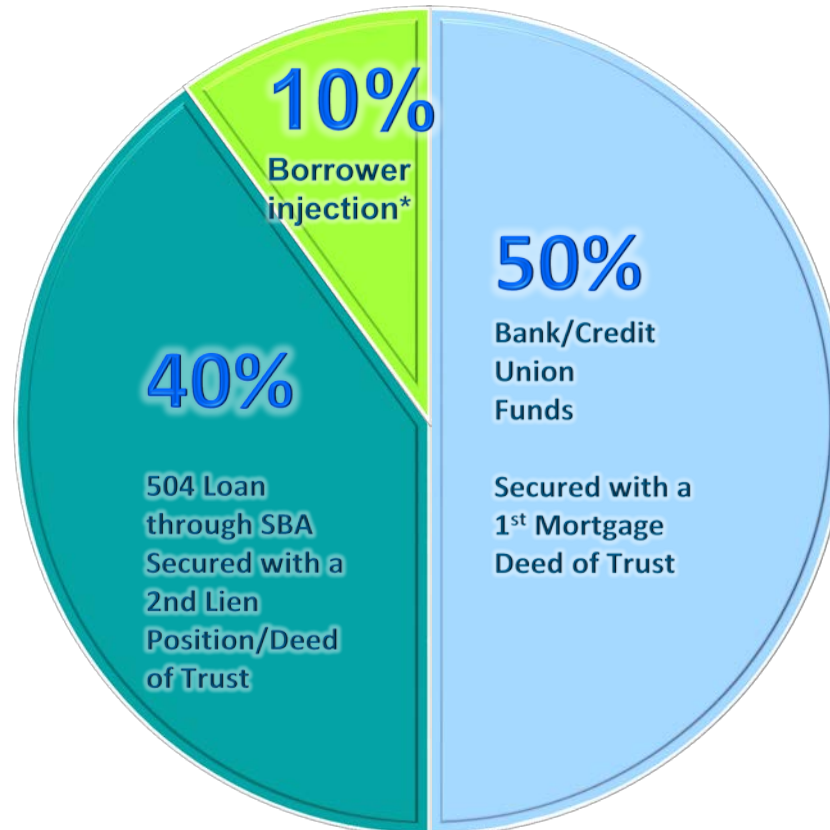
## Total Project size:

- \$20 million and up, including:
  - Purchase of land, building, equipment
  - Construction and/or renovations
  - Debt Refinance with or without expansion

## SBA Loan size:

- Regular 504 loan minimum is \$25,000 with a maximum of \$5,000,000
- 504 Refinance up to a maximum of \$5,000,000
- Eligible Energy Efficiency goal up to a maximum of \$5,500,000
- Manufacturing up to a maximum of \$5,500,000

# Typical SBA 504 Loan Structure



\*Special Purpose properties require 15% injection, Special Purpose properties plus Start-up situations require 20% injection

# Resources

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[www.sba.gov](http://www.sba.gov)

- Click “**Local Assistance**” to find information on how to contact your local SBA District Office
- Click “**Loans and Grants**” to find information about the SBA 504 Loan Program