

GEORGIA SBA 504 PROGRAM GUIDE

ELIGIBILITY

- Must be classified as a small business
 - Business Net Worth Less Than \$8.5MM **AND**
 - Business Net Profit Less Than \$3MM average 2 years **OR**
 - Use 7(a) Size Standards
- Must be a for-profit business OR for-profit subsidiary of a non-profit.
- Must create or retain 1 job for every \$65,000 of the SBA Debenture Loan **OR**
- Meet a Public Policy goal, e.g., Assisting Small Business:
 - Owned & Controlled by Women, Minorities or Veterans
 - Located in a Business Revitalization District
 - Located in Rural Areas
 - Expanding Exports
 - Enhance Economic Competition
 - Impacted by Federal Budget Cutbacks
 - Restructuring from Federally Mandated Policies
 - Which affect the Environment, Employee Safety or Health
- Borrower must occupy 51% of an existing building, or 60% of newly constructed space
- Investment properties such as strip shopping centers are generally not eligible
- Debt refinance is generally not allowed

ALLOWABLE USES OF PROCEEDS

- Acquisition of existing land and building.
- Building construction and/or renovation.
- Machinery, equipment, furniture, fixtures.
- Leasehold Improvements.
- Direct Soft costs.

Typical SBA 504 Project

Project Uses:		Project Sources:		
Land Purchase	\$ 700,000	Bank 1st Mortgage	\$ 1,250,000	50%
Construction	\$ 1,500,000	SBA 504 2nd Mortgage*	\$ 1,000,000	40%
Machinery	\$ 250,000	Borrower Equity	\$ 250,000	10%
Soft Costs	\$ 50,000			
Total	\$ 2,500,000	Total	\$ 2,500,000	100%

* Maximum SBA Loan *\$1,500,000 for Mortgage Loan
 *\$2,000,000 if project meets a Public Policy Goal
 *\$4,000,000 for Manufacturer

RATES, TERMS, AND FEES

- Lender sets the rate on the first mortgage loan.
- The rate on the SBA Loan is **FIXED** for 20 years.
- SBA 504 loans are assumable.

WHY DO BORROWERS AND LENDERS LIKE THE 504 LOAN PROGRAM?

- **Lower down payment – As low as 10%**
- **20 Year Fixed Interest Rate on SBA Loan**
- **50% loan to value on 1st Mortgage**
- **Larger loan projects**
- **Secondary Market for 1st Mortgage**
- **The CDC does all the SBA paperwork**

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