

THE SBA 504 LOAN PROGRAM

Eligible Businesses

- ▶ Any for profit business
- ▶ Any business structure (Sole Proprietorship, Partnership, Corporation, LLC, LLP, etc.)
- ▶ Any type of legitimate business: manufacturing, wholesale, service, professional service, retail or agricultural
- ▶ By SBA definition the business must be small. This generally means less than \$7.5 million in net worth and less than \$2.7 million in annual after tax profits.
- ▶ Business owner must be a U.S. citizen or resident alien with a green card

Ineligible Businesses

- ▶ Private restrictive clubs and speculative real estate investments
- ▶ Businesses primarily engaged in lending- banks, credit unions, finance companies, etc.
- ▶ Insurance companies, although independent insurance agencies are eligible
- ▶ Offshore facilities
- ▶ Businesses that derive a significant portion of their revenue from speculative operations- commodity traders
- ▶ Lobbyists
- ▶ Businesses with more than 1/3 of their revenue from legal gambling

Eligibility Requirements

In applying for a 504 loan, businesses must meet each of the following requirements:

- ▶ Property must be either owner-occupied or owned by an eligible passive company. Borrower (or their eligible company) must occupy at least 51% of existing an existing building; borrower must occupy 60% of the useable square footage of a building under new construction.
- ▶ Project must, according to SBA guidelines, promote economic development. Generally, this entails the creation or retention of jobs. For every \$50,000 that is lent, reasonable projections should indicate that one full-time equivalent job will be created or retained over the next two years. Some business sites and types are exempt from job creation criteria and exceptions are possible.
- ▶ The business must be for-profit and together with all affiliates must average less than \$2.5 million in annual profits and \$7 million in net worth. (Alternative, higher size standards are available in certain industries, i.e., manufacturing).
- ▶ Total eligible project cost must be at least \$125,000. The 504 Loan Program works best on general projects of \$5 Million or less; and on manufacturing projects of \$10 Million or less.