



The SBA 504 Loan Program - General Guidelines

Highlights:

- Commercial Real Estate and Capital Equipment financing for small business owners.
- Up to 90% financing is available for existing businesses
- Borrowers will receive a long-term, fixed interest rate

Loan Structure:

- The SBA 504 loan is limited to 40% of the total project cost with a maximum of \$1.5MM and a minimum of \$25K. *This portion can be increased to \$2MM for rural based, woman, veteran or minority owned businesses, projects located in enterprise zones or exporters. In addition, manufacturing firms can receive as much as \$4MM in financing.*
- A Bank or Partner lender will typically provide 50% of the financing. *This portion of the loan can not be less than the SBA 504 portion.*
- The small business is required to put 10% down on the project and in some cases 15% or 20% if the business is a start up and/or intends to operate out of a single purpose facility.

Eligible Use of Funds:

- Buy, Build or Renovate commercial real estate
- Purchase capital equipment and machinery for a business
**appraisals, title insurance, and engineering, architectural and environment costs can be included*

The commercial real estate or equipment being financed will act as collateral for the project.

Colorado Lending Source is a private, nonprofit, economic development organization with a mission to foster the economic growth of diverse small businesses within our communities.

Since inception in 1990, Colorado Lending Source has helped 1,839 of Colorado's small businesses receive SBA 504 loans for their commercial real estate and capital equipment purchases. This has resulted in the creation and retention of 16,503 jobs, with an investment of \$2.327 billion in the state of Colorado.

Eligibility Requirements:

SIZE - Have a net worth of less than \$8.5MM and/or a net income (after taxes) of no more than \$3MM for the last two years

OCCUPANCY - The business must intend to occupy at least 51% of an existing structure or at least 60% of a newly constructed building

GUARANTORS - Individuals owning 20% or more of the business must act as personal guarantors. These owners may be required to inject additional funds in to the project if their personal liquidity, after contributing the required equity injection, exceeds the total financing request.

Interest Rates:

Interest rates tied to the SBA 504 portion of the loan are set once a month with the sale of a bond on the New York market. These rates are fully amortized over the life of the loan.

Rates are fixed for:

- 20-years for commercial real estate
- 10-years for capital equipment and machinery

**the ten-year bond sells only in odd numbered months*

Fees:

As a result of the stimulus bill signed into law on 2/17/09, the bank participation fee of 0.5% and 1.5% of the fees associated with the SBA 504 portion of the loan have been eliminated.

The borrower pays a onetime origination fee of 0.65% in addition to attorney closing costs of \$1,500 plus applicable recording and title costs. These are typically financed as part of the loan. A prepayment penalty exists for the first half of the life of the loan.

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