

# FACT SHEET

## SBA 504 PROGRAM

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### BACKGROUND:

SEED was certified in late 1982 by the U.S. Small Business Administration (SBA) to package loans under the **SBA 504 Program**. SEED packages SBA 504 loans throughout Massachusetts, and most of Rhode Island.

**SEED is an SBA Accredited Lender.** This designation enables SEED to obtain final SBA approval on 504 loans in three to five business days.

### HOW IT WORKS:

**The SBA 504 Program provides a maximum of 40 percent financing** of an eligible small business project. A bank finances 50 percent of the project and takes first position on the equity. The applicant usually provides the remaining ten percent. The loan structure is discussed below:

### LOAN STRUCTURE: (TYPICAL \$1 MILLION PROJECT)

<u>PARTICIPANTS</u>	<u>AMOUNT</u>	<u>INTEREST</u>	<u>MATURITY</u>
FINANCIAL INSTITUTION (FIRST MORTGAGE)	\$500,000 (50%)	Prime +	- 7 Yrs for M & E - 10 Yrs for Real Estate at a minimum
SEED 504 DEBENTURE (SECOND MORTGAGE)	\$400,000 (40%)	4-5% Fixed* (Effective Rate)	- 10Yrs for M & E - 20 Yrs for Real Estate
APPLICANT	<u>\$100,000 (10%)</u> \$1,000,000 (100%)		(Additional 5% each for a start up or special use bldg)

\*Visit [www.seedcorp.com](http://www.seedcorp.com) for the latest effective interest rate.

### ELIGIBLE COMPANY:

For-profit corporation, partnership or proprietorship; industrial, commercial or service business; tangible net worth not in excess of \$15 million; less than \$5.0 million average net profit after taxes during previous two years.

### ELIGIBLE PROJECT COST:

Acquisition of commercial land and buildings; construction and/or renovation; leasehold improvements; equipment and furnishings; refinancing of existing eligible business debt not guaranteed by the federal government; and soft costs- - interim interest and professional fees.

### OCCUPANCY REQUIREMENT:

Business must occupy at least 51% of an existing building (may lease up to 49%); and at least 60% of a newly constructed building (can lease 20% indefinitely).

### MINIMUM AND MAXIMUM:

SEED's minimum amount on a 504 debenture is \$120,000 (a total project of \$300,000). **The maximum is \$5.5 million for manufacturers and projects generating renewable energy or fuels and \$5 million for all others.** On projects smaller than \$300,000, SEED evaluates the benefits to the client, and may use its other loan programs.

### GEOGRAPHIC COVERAGE:

SEED Corporation focuses on **Barnstable, Bristol, Dukes, Middlesex, Nantucket, Norfolk, Plymouth and Suffolk** counties in Massachusetts and **Bristol, Kent, Newport and Providence** counties in Rhode Island, but can package SBA 504 loans throughout Massachusetts.

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**JOB REQUIREMENT:** SBA requires the creation of **one job for each \$65,000 of SBA investment** over a two year period. In a project of \$500,000 with an SBA share of \$200,000, the company would have to create four new jobs over a two year period. **The job requirement may be waived, if other economic development goals are met.**

**PROCESS:** SEED's Loan Review Committee approves loans via email or at a meeting. **Generally, it takes 30 days to obtain full approval** including the SBA letter of authorization.

**If the participating bank agrees, however, the client can proceed with the project** as soon as SEED approves the application. This approval can take two weeks depending on when the client approaches SEED and if the client has the needed **preliminary information:**

- **A signed Purchase & Sale Agreement, if applicable;**
- **3 years historical financial statements and IRS returns for the business;**
- **Interim financial statement no older than 90 days; and**
- **Personal financial statements for principals with 20% or more ownership and personal IRS returns for the past 2 years;**
- **Property appraisal and environmental assessment can be submitted to SEED after approval.**

**THE SEED ADVANTAGE:** SEED offers the following **advantages:**

- **Knowledgeable and experienced staff** in your region;
- **Lower interest rate & fees** for your client;
- **No application form or fee;**
- **24 hour pre-qualification;**
- **Simultaneous bank closing & SBA 504 closing on turnkey projects;**
- **SEED can provide small loans up to \$250,000** at 5% fixed to replace working capital used for the down payment on an SBA 504 project.

**SBA 504 ADVANTAGES:** The **504 Program** offers the following **advantages:**

- Financing for a fixed asset project with **generally only 10% down;**
- Inclusion of soft costs, equipment, and furniture and fixtures minimize out of pocket expenses and preserve cash for the business; and
- Program allows **reliance on financial projections** – for start ups and businesses with inadequate historic cash flow; and
- Most small businesses are eligible.

**FEES:** There are one time packaging fees of 2.15% on the SBA 504 loan amount (not the total financing). These fees are rolled into the SBA 504 loan. In addition, there are servicing fees to SEED and SBA. These fees are included in the effective fixed rate quoted by SEED. There is a prepayment penalty for the first half of the term of the debenture.

**SEED STAFF  
ASSIGNED TO  
THE PROGRAM:**

**Lisa Holmes, Senior Vice President, Lending Team Leader**  
**Laurie Driscoll, Vice President, Commercial Loan Officer**  
**Lindsey Williams, Vice President, Commercial Credit Analyst**  
**Elizabeth Voss, AVP, Business Development and Credit Officer**  
**Cheryl Gouveia, Vice President, Operations and Portfolio Management**  
**Anne Rounds, Assistant Vice President, Closing Manager**  
**Sidonia Silva-Reyes, Assistant Vice President, Operations & Servicing Officer**  
**Helen Gildea, Commercial Loan Administrator**

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**FOR MORE INFORMATION, PLEASE CONTACT SEED**

Phone: (508) 822-1020 Fax: (508) 880-7869  
Email: [info@seedcorp.com](mailto:info@seedcorp.com) Website: [www.seedcorp.com](http://www.seedcorp.com)

SEED is an equal opportunity lender and business assistance provider.