SBA 504 Loan Program

The SBA 504 Loan Program is a Small Business Administration program designed to promote economic development within our community. The loan program is facilitated with a partnership of local banks and community development companies.

How it Works.
Eligible projects are funded with 50% from a conventional loan at market rates and terms, up to 40% from a SBA funded loan (backed by a 100 percent SBA-guaranteed debenture) and as little as a 10% down payment from the business. Proceeds from a SBA 504 loan must be used for large fixed asset projects such as purchasing land and improvements, including existing buildings, grading and street improvements, utilities, parking lots and landscaping as well as soft costs associated with the project, construction of new facilities, or modernizing, renovating or converting existing facilities or purchasing long-term machinery and equipment.

The SBA 504 Program cannot be used for working capital or inventory. Under certain circumstances debt refinancing may be included as part of an expansion project. SBA 504 loan proceeds also cannot be used for leasehold improvements to space leased to a non-affiliated tenant.

• **Who is eligible.** To be eligible for the 504 Loan Program, businesses must operate for profit, meet minimum credit standards and be deemed a "small business" as defined by SBA. Loans cannot be made to businesses engaged in speculation or investment in rental real estate. In order to meet the job creation criteria for the community development goal generally, a business must create or retain one job for every $50,000 provided by the SBA, except small manufacturers which require additional job creation and/or retention requirements.

• **Minimum/Maximum SBA Loan Sizes.** SBA Loan is typically 40% of the project. Minimum SBA Loan is $50,000. Maximum SBA Loan to most applicants is $5 million.

• **Interest Rates.** Interest rates on the SBA 504 loans are pegged to an increment above the current market rate for five-year and 10-year U.S. Treasury issues. Maturities of 10 and 20 years are available.

Benefits.

• **Lower Down Payment.** Allows you to conserve valuable operating capital by injecting as little as 10 percent of total project cost. Loans to newer companies and special purpose real estate may require more down.

• **Fixed Rate on the SBA Portion.** You can better manage your cash because you know the amount of your mortgage payments for the next 20 years.

• **Low Interest Rate.** Even with all the fees and closing costs included in the rate, it is still a low rate for a subordinate mortgage loan, particularly for small business.

• **All Project Costs can be Financed.** Including land and building, construction costs, as well as soft costs such as title insurance, legal, appraisal, environmental and bridge loan fees. Closing costs may also be financed.

• **Loan is Typically Secured by the Asset Financed.** This allows other assets to be free of liens and available to secure other financing you may need.

Getting Started.
SBA 504 is just one of the many services Anchor Bank offers to help make your business succeed. For more information about this and other financial services, please contact a business banker at Anchor Bank.
SBA 7(a) Loan Program

The SBA 7(a) program serves as the SBA’s primary business loan program to help qualified small businesses obtain financing that provides more flexible terms. It is the agency's most flexible business loan program, since financing under this program can be guaranteed for a variety of general business purposes.

How it Works.
SBA 7(a) loan proceeds can be used for most sound business purposes including working capital, machinery and equipment, furniture and fixtures, land and building (including purchase, renovation and new construction), leasehold improvements, and debt refinancing (under special conditions). Loan maturity is up to 10 years for working capital for a start-up business and generally up to 25 years for fixed assets.

- **Who is eligible.** In order to obtain positive consideration for an SBA supported loan, the applicant must be both eligible and creditworthy. All businesses that are considered for financing under SBA’s 7(a) loan program must meet SBA size standards, be for-profit, not already have the internal resources (business or personal) to provide the financing, and be able to demonstrate repayment. Certain variations of SBA’s 7(a) loan program may also require additional eligibility criteria. Special purpose programs will identify those additional criteria. Additional eligibility factors for all 7(a) loans include type of business and use of proceeds. Repayment ability from the cash flow of the business is a primary consideration in the SBA loan decision process but good character, management capability, collateral, and owner’s equity contribution are also important considerations. All owners of 20 percent or more are required to personally guarantee SBA loans.

- **Maximum Loan Amounts.** SBA’s 7(a) Loan Program has a maximum loan amount of $5 million dollars. SBA’s maximum guaranty is $3.75 million.

All SBA terms and conditions are subject to change as mandated by the U.S. Small Business Administration.

- **Interest Rates.** Interest rates are negotiated between the borrower and the lender, but are subject to SBA maximums, which are pegged to the Prime Rate. Interest rates are variable, and generally range between the Prime Rate + 1% to the Prime Rate + 2.75%. On loans below $50,000 the rates can be higher.

Benefits.

- **Lower payments.** You repay the loan with smaller payments over a longer period of time.

- **No balloon payment.** Loan is paid off at the end of the amortization period.

- **Cash conservation.** SBA requires lower down payments than most conventional loan products allowing the business to retain more cash.

- **Easier qualification.** Businesses with less collateral than required for conventional loans may qualify for SBA-guaranteed loans, however if the loan is not fully secured all business and personal assets of the owners must be offered.

Getting Started.
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