

FACT SHEET

SBA 504 PROGRAM

BACKGROUND:

SEED was certified in late 1982 by the U.S. Small Business Administration (SBA) to package loans under the SBA 504 Program. SEED focuses on southeastern Massachusetts and Rhode Island, but can package 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. **SEED is one of the top SBA 504 lenders in Massachusetts.**

HOW IT WORKS:

The SBA 504 Program provides a maximum of 40 percent financing of an eligible project. A bank selected by the applicant finances 50 percent of the project and takes first position on the equity. The applicant provides the remaining ten percent. The bank portion is financed at conventional rates and terms. The loan structure is discussed below:

LOAN STRUCTURE: (SAMPLE)

<u>PARTICIPANTS</u>	<u>SHARE</u>	<u>INTEREST</u>	<u>MATURITY</u>
BANK (FIRST MORTGAGE)	50%	Prime +	-7 Yrs for M & E -10 Yrs for Real Estate at a minimum
SEED 504 DEBENTURE (SECOND MORTGAGE)	40%	6-7% Fixed	-10Yrs for M & E -20 Yrs for Real Estate
APPLICANT	$\frac{10\%}{100\%}$	(Effective Rate) (15% for start-up business or special purpose building)	

Estate

ELIGIBLE COMPANY:

For-profit corporation, partnership or proprietorship; industrial, commercial or service business; tangible net worth not in excess of \$7 million; less than \$2.5 million average net profit after taxes during previous two years.

ELIGIBLE PROJECT COST:

Acquisition of **land and buildings; construction and/or renovation; leasehold improvements; equipment and furnishings; interim interest;** and **professional fees** for appraisals, surveying, accounting, engineering and architectural services.

MINIMUM AND MAXIMUM:

The minimum allowable amount on a 504 debenture is \$50,000 (a total project of \$125,000). **The maximum is \$4 million for manufacturing businesses and \$2 million for all others.** On projects smaller than \$200,000, SEED evaluates the benefits to the client.

GEOGRAPHIC COVERAGE:

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



**80 DEAN STREET
TAUNTON, MA 02780
(508) 822-1020 Fax: (508) 880-7869
Website: www.seedcorp.com
Email: info@seedcorp.com**

JOB REQUIREMENT: SBA requires that the company being financed demonstrate that it will create **one job for each \$50,000 of SBA investment** over a period of two years. In a project of \$500,000 with an SBA share of \$200,000, the company would have to create four new jobs over a period of two years. **The job requirement may be waived, if other economic development goals are met.**

PROCESS: SEED's Loan Review Committee meets every two weeks or as needed to approve loan applications. **Generally it takes 30 days to obtain full approval** including the letter of authorization from the U.S. Small Business Administration.

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 to four weeks depending on when the client approaches SEED and if the client has the needed preliminary information:

- A signed **Purchase & Sale Agreement**, if applicable;
- **Historical financial statements and IRS returns for 3 years**;
- **Interim financial statement** no older than 120 days; and
- **Personal financial statements and IRS returns** for principals with 20% or more ownership

ADVANTAGES: The 504 Program offers the following advantages:

- Financing for a fixed asset project with generally **only 10% down**;
- **Long-term, fixed rate funds** enhance cash flow for the business;
- Can include **soft costs, equipment, and furniture and fixtures** minimizing out of pocket expenses and preserving cash for the business;
- Program allows reliance on **financial projections** – for startups and businesses with inadequate historic cash flow; and
- **Most small businesses are eligible.**

FEES: **One time packaging fees total 2.15% of 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. **SEED's servicing fees are lower than other 504 lenders.**

SEED OFFICERS: **Jack Meehl, Jr., Chair; James McEvoy, Vice-Chair; Manuel Tavares, Vice-Chair; Ferdinand Kelley, Treasurer; William Barnes, Assistant Treasurer; Richard Shafer, Clerk; William Lewis, Assistant Clerk; and Lorraine Travers, Past Chair**

SEED LENDERS: **Paula Botelho, Vice President**
Frank Celino, Vice President
Lisa Holmes, Assistant Vice President
Susann Patterson, Vice President

FOR MORE INFORMATION, PLEASE CONTACT SEED

Phone: (508) 822-1020

Fax: (508) 880-7869

Email: info@seedcorp.com

Website: www.seedcorp.com

SEED is an equal opportunity lender and business assistance provider