Coastal Commercial Group

Commercial Business and Real Estate Consultants

Financial support at the Speed of Business

SBA 504 LOAN PROGRAM

For smarter Commercial Financing of:

- Real Estate
- Buildings
- Mix use properties
- Machinery
- Equipment
- Down Payment as low as 10%
- Refinancing of existing property
- Below market fixed rates
- Long term financing 10-20 years

SBA MICRO LOAN PROGRAM

We will help you throught the application process to start or grow your small business providing financing for:

- Inventory
- Equipment
- Marketing
- Working capital
- Up to $50,000
- Fixed rate starting at 8%
- 5 year terms
- One on one business mentoring through the life of the loan

1882 US Highway 1 | North Brunswick, NJ 08902-4111 | 732.297.4700

Coastal Commercial Group
Commercial Business and Real Estate Consultants

1882 US Highway 1 | North Brunswick, NJ 08902-4111 | 732.297.4700

Overview

For more than five decades, U.S. Small Business Administration loans have served as financial lifelines for American entrepreneurs. The SBA was created to foster free enterpriswe and to help sustain economic strength throughout all corners of a free market.

Traditionally, small business owners who have struggled to secure affordable lending have turned to the SBA for help. But the agency itself does not issue loans. Rather, it acts as a quarantor while working with thousands of private and commercial institutions. Business owners who can obtain reasonable financing may not be eligible for SBA-backed loans.

The SBA offers a series of loans geared toward helping small businesses. There are three major loan programs. Each provides entrepreneurs with different degrees of financing options and flexibility.

First, let's examine the distinct loan programs before discussing eligibility and the loan application process.

Types of business loans offered

Basic 7 (a) Loan Program

The name comes from a section of the Small Business Act. This is the most common and basic loan small business owners are likely to encounter.

Scores of American banks participate in this program, along with some non-bank lenders. Lending institutions that agree to structure their loans according to SBA requirements receive a guaranty on only a portion of the loan. Private lenders ultimately make and administer the loans.

The 7 (a) loan can be used for a host of business purposes, including equipment and real estate pruchases, renovations and new construction, debt refinancing and working capital. For those seeking loans for working capital, maturity runs up to 10 years. For fixed assest, loan maturity is typically up to 25 years.

CDC/504 Loan Program

This program serves as a mechanizm for long-term funding for small business owners. Entrepreneurs willing to tap into their equity can obtain long-term, fixed rate loans for major fixed assets, typically real estate or physical builidngs.

These finance projects are often comprised of a collection of loans from several sources. Those might include a commercial lender; a loan from a Certified Development Company, a nonprofit corporation that facilitates economic development in a given geographical area; a junior lien covering nearly half the project's cost; and at least 10 percent equity from the prospective borrower.

Loans under the 504 program come with greater restrictions in terms of how the capital can be utilized. In essence, small business owners can use the money only for fixed asset projects, including purchasing real estate, building new facilities or renovating existing structures and buying equipment.

The SBA recently expanded the 504 program through the American Recovery and Reinvestment Act of 2009. Qualified borrowers will be able to refinance their current SBA loan and roll over up to half of the total cost of the purchase or pending expansion.

For example, a small business proprietor with a $500,000 SBA 504 program loan could refinance to leverage up to $250,000 for equipment or an expansion. but for every $65,000 backed by the SBA, a borrower is required to create or retain a job. Business owners must also have kept debt payments current for at least a year.

Microloan Program

This program offers minimal short-term loans to fledgling or growing small businesses. The SBA provides or guarantees a loan to a third-party intermediary, which are typically non-profit community lenders.
These intermediaries then dole out loans to qualified entrepreneurs in amounts up to $35,000. The average loan is about $13,000.

Microloans fun no longer than six years. Terms will vary depending upon the loan's size its intended use and the requirements of a given intermediary. Interest rates are also subject to fluctuation but typically range from 8 to 13 percent.

These funds also come with restricted uses. microloans can be used for working capital or to buy supplies, equipment, furniture and other physical needs. Microloan funding cannot be put toward repaying debts or buying real estate.

Eligible and Ineligible Business Types

Most American small businesses meet the SBA's eligibility requirements to obtain a loan. In general, the prospective loan recipient must have a for-profit enterprise doing business in the U.S., reasonable equity and have pursued alternative funding resources, including personal assets.

There are certain businesses and applicants that are eligible but face specific restrictions or considerations. Among those are: franchises, recreational facilties and clubs, arms and agricultural businesses, fishing vessels and medical facilities such as hospitals, clinics and laboratories.

However, there are some business that are not eligible for an SBA loan. Those include: real estate investment firms, lenders, pyramid sales programs, gambling ventures and charitable, religious and otherwise non-profit outfits.

The SBA's three major loan programs also have specific eligibilty guidelinesand requirements. Here's a snapshot of those:

Basic 7 (a) Loan Program

Applicants must meet SBA size requirements, be for-profit, ensure that the financial need exists and demonstrate the capacity for repayment. Special prgrams within the 7 (a) program may carry with them additional eligibility requirements.

CDC/504 Loan Program

Prospective loan recipients cannot have a net worth beyond $8.5 million or an average net income greater than $3 million after taces for the preceding two years.l

Microloan Program

Small business owners interested in learning about eligibility requirements for microloans should contact a microlending intermediary in their specific geographic region. These intermediaries are in 46 or the 50 states, with Alaska, Rhode Island, Utah and West Virginai the only states without. the SBA offers and exhausive, 49-page list of the nations; intermedaiaries on its website, www.sba.gov.

Loan Application Process

As with most other types of loans, lending institutions that work with the SBA will seek specific financial information when evaluating an application. The agency's standards are a bit more flexible than others, but entrepreneurs still must have a solid profile to obtain an SBA loan.

Lenders will look for an array of documentation. Chief among them will be financial statements regarding the business and its owners, partners and officers. These will generally include; balance sheets for the last three years; cash flow projections: personal financial statements regarding assets, liabilities and previous tax returns; a break-down of accounts receivable and payable; and any current financial information.

Applicants should also expect to produce a business profile; a specific breakdown of how the loan will be utilized; and an explanation of the collateral to be used to obtain the loan.

Lenders will also scrutinize an applicant's credit and contributing factors. Those can be broken down into five distinct areas:

Equity investment

Lenders will scour debt-to-worth ratios, expected earning and projected profits. Businesses with little to not equity man scare off lending institutions, which generally see the gap as a harbinger of default. Entrepreneurs will be expected to prove the value of invested assets. Businesses with weak equity can still obtain SBA loans, provided they have solid credit indicators elsewhere. But as the SBA makes perfectly clear, low equity, high debt and baseless projections if a recipe for loan denial.

Earnings Requirements

Cash outflow and management constitutes another major element. Small business owners will likely have to provide cash flow projections that detail the flow of capital and when expenses are paid. These projections typically cover the 12 months after the prospective loan is granted. The SBA recommends that new entrepreneurs document all the assumptions that go into creating revenue and expense estimates.

Working Capital

This is basically when a business has more assets than liabilities at a given time. It's basically a way to examine a small business's ability to pay current debts. Lenders will evaluated the nature and worth of assets on hand, as well as examine all liabilities due within a year.

Collateral

Collateral is a requirement for all SBA loans. The agency accepts usable assets within the business and personal assets from beyond it. Any business owner with a 20 percent stake or greater must present a personal guarantee, as do other key management stakeholders. The SBA notes that assets financed with borrowed funds will ultimately collateralize the SBA loan. Lending institutions working with entrepreneurs who aim to use real estate as collateral will have to obtain third-party valuation on transactions valued at $50,000 and above. Much like equity investment, weak collateral itself will not generally disqualify a business from obtaining an SBA loan.

Resource Management

Lenders will closely examine the way capital and resources are managed. That include scrutiny of an operation's managers and leadership. Those evaluating a loan application may also rely on ratios derived from historical figures and financial statements, including debt-to worth, the rate that debt is paid upon become due and rate income is received after being earned. Lenders will also evaluate the subjective character of a particular applicant. Education, business experience and quality of references may all be considered.

After all this consideration, the final piece for entrepreneurs is crafting a formal written loan proposal. First impressions are crucial, both on paper and in person.

There is no formula or exact science for writing a loan proposal. But the SBA does offer some suggestions when it comes time to put on together. Some of those tips include:

- Start with a cover letter or executive summary that concisely explains the business, your background, the requested loan amount and other key information.
- Provide a separate, detailed description of your business that includes information on products and services, future operations, competition and customers.
- Submit a resume for each owner and key management member.
- Explain how the loan will be repaid, including sources and time estimates. Expect to submit cash flow information, budgets and other material financial documents.
- Include financial statements and information for the previous three fiscal years as well as current statements.
- If applicable, consider including copies of items such as leases, franchise agreements, letters of reference, contracts and copies of licenses.

For more detailed information on SBA loans and the loan application process, visit SBA.gov or contact Coastal Commercial Group to learn how we can help you obtain an SBA Loan.

Coastal Commercial Group

Commercial Business and Real Estate Consultants

SBA 504

Commercial Loan Programs

1882 US Highway 1 | North Brunswick, NJ 08902-4111 | 732.297.4700

Commercial Business & Real Estate Consultants

504 SBA Loan Fixed Assets Financing

Coastal Commercial and Regional Business Assistance Corporation – RBAC

What is the SBA 504 Loan?

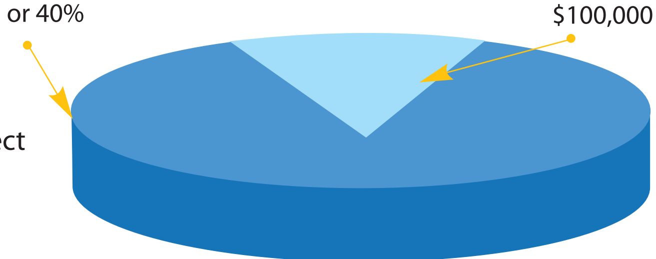
The SBA 504 Loan provides fixed rate financing to small business at below market interest rate to purchase commercial real estate, machinery, and equipment or for construction and renovation of commercial real estate.

How Does It Work?

Typically:

- Bank (or private lender) finances 50% of the total project
- SBA through the CDC (RBAC) finances 40% of the total project
- Borrower contributes with 10% of the total project (15% for start-up or single use building)

Example: Project Cost of $1,000,000



Advantages of the 504 Loan?

1. Lower than market, fixed rate for 10 or 20 years on the CDC portion of the loan
2. Low down payment (as low as 10%)
3. Favorable bank rates as the structure of the 504 normally reduces the risk for the bank

Who Qualifies for a 504?

- Business must have a net worth of less than $15 million and profits after taxes of less than $5 million
- Must use the finances for a project located in the U.S.
- Business must be for profit and must occupty the real estate asset financed
- Must meet an economic development objective

FREE CONSULTATION & FREE DEBT SERVICES ANALYSIS

Call Today! 732.297.4700 Ext. 11

We Also Specialize In:

Mixed Use • Apartment Buildings

Medical Buildings • Un-Anchored Retail • Multi-Family • Strip Malls