

## SBA CERTIFIED DEVELOPMENT COMPANY (504) LOANS

The U.S. Small Business Administration's SBA 504 program provides small-and medium-sized businesses with long-term fixed rate financing for the acquisition or construction of fixed assets. Businesses must have a tangible net worth of less than \$15 million and an average net profit of less than \$5.0 million for the past two years.

Projects are financed through a unique public/private partnership that involves private lenders financing 50% of project costs, a certified development company (CDC) as an agent of the SBA providing up to 40%, and a small business investing at least 10%. Businesses less than two years old or projects involving a limited or single purpose building have an investment contribution of 15%. New businesses with a special purpose project are subject to a 20% investment.

Preferred projects range from \$250,000 to \$10 million. Generally, the maximum SBA contribution on any single project is \$5 million. For manufacturing, the maximum SBA contribution is \$5.5 million. **Under the Recovery Act, fees for both borrowers and lenders are temporarily eliminated.**

### LOAN TERMS

- 20 years for real estate: Bank portion must be ten years
- 10 years for equipment: Bank portion must be seven years

### LEASING

- 51% owner occupancy required for projects involving the purchase of an existing building
- For new construction projects, the business must occupy 60% immediately and an additional 20% within three years. The remaining 20% may be leased out long-term

### ELIGIBLE BUSINESSES

- For-profit corporations, partnerships and proprietorships

### INELIGIBLE BUSINESSES

- Passive income projects from builders/developers, landlords, and real estate companies
- Financial institutions
- Non-profit businesses

### ELIGIBLE PURPOSES

- Purchase of land, building, machinery or equipment
- Land improvements
- Renovation or addition to existing buildings
- Leasehold improvements

### INELIGIBLE PURPOSES

- Working capital
- Goodwill
- Inventory
- Venture capital
- Rolling stock such as vehicles

The related links regarding the SBA Certified Development Company 504 loan program are [sba.gov](http://sba.gov) and [nadco.org](http://nadco.org). For more information, contact the Michigan Economic Development Corporation<sup>SM</sup> (MEDC) Customer Assistance Center at 517.373.9808 or the CDC contacts listed on the next page

## MICHIGAN SBA 504 CERTIFIED DEVELOPMENT COMPANIES SERVICE AREA STATEWIDE

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