

Preferred Lending Partners presents:



Your SBA 504 Toolbox

Partner with us to help small businesses become fixtures in our community. We're here to help you and your clients navigate the SBA 504 loan program

Sources and Uses (aka Nuts and Bolts)



***Down Payment: 10%...15%...20%**

***Term / Amortization...10 year for equipment, 20 or 25 year for real estate**

***Eligible project costs...real estate, renovations, furniture, fixtures, equipment and some closing costs. PLP is your SBA 504 wrench.**

We'll “tighten up” your sources and uses.

504 Program Eligibility (let's hammer out the details)



- *Business must be a for profit business**
- *Net Profits after taxes must be less than \$6.5 Million**
- *Net worth less than \$20.0 Million**
- *Owner/user must occupy 51% if an existing building, 60% if new construction project**
- *Collateral assignment of life insurance may be required required**
- *Any person or entity with 20% ownership or more required to guarantee the loan**
- *Job Creation requirement – 1 job to be created for every \$90K borrowed from SBA. (A waiver of this requirement may be available to the business.)**

Tighten or Loosen things up with an SBA 504 Refinance

***The loan to value requirement is 90% on debt refinance without expansion including cash out loan requests.**

***A debt refinance with and without expansion must show that 75% "substantially all" of the original loan proceeds were used for eligible 504 purposes.**

***There is NO cap on cash out "eligible business expenses" as long as the LTV is at 90%.**

*** Certain "other secured debt" may qualify as an eligible business expense in 504 debt refinance without expansion. "Other secured debt" is debt incurred prior to the 504 loan application and has been secured by the same Eligible Fixed Assets and incurred for the benefit of the Borrower and/or Operating Company. All payments must be current on payments for the 6 months preceding the application date.**

***The Substantial benefit test is that the new installment amount(s) attributable to the debt being refinanced must be less than the existing installment amount(s).**



Timelines and Expectations

New Loan Application Eligibility & Processing - Typically 2-3 business days to review submitted documents for completeness and ensure all eligibility boxes are checked

Underwriting - Typically 10-15 business days to complete underwrite and receive internal loan committee approval. Additionally during this process the PLP credit team will have the borrower sign SBA submission docs



SBA Approval - Once submitted to SBA, turn times vary based on SBA volume. Typically 5-7 business days. Upon SBA approval all parties will be provided with an approval document referred to as the Terms and Conditions.

Closing - We'll close our loan either simultaneously with the bank or shortly after if the loan request is a straight purchase. If your loan request includes construction, renovations or FF&E, we will close our loan once all of the funds are advanced.

Funding - Once our loan is closed, it will fund within 45-60 days. SBA 504 loans are funded ONCE a month.

You can expect consistent communication from all members of the PLP team. You will be introduced to each team member along the way. Please never hesitate to reach out with questions or concerns! We love questions!

Fees and Costs

All fees will be disclosed to all parties upfront at application. SBA 504 program fees are set by Congress October 1st of each year.



A bank partner must collect a .50 bps fee of your first mortgage loan amount referred to as a Third Party Participation Fee. This fee is paid to SBA for use of the program.

All loans incur third party closing costs to close and fund the SBA loan.

These are communicated to the borrower during underwriting. They can be paid out of pocket or financed into the debenture.



CONTACT US

Your PLP Team:

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