



## ATTN: BUSINESS OWNERS APPLY NOW FOR SBA FUNDS

The 2009 American Recovery and Reinvestment Act has opened a wider door to the real estate market by increasing access to and lowering the cost of Small Business Administration financing to business owners. The act also temporarily waives borrower fees on SBA 504 Certified Development Company (CDC) loans, encouraging real estate buying now.

**This will mean more capital available  
to small businesses at a lower cost**

The SBA 504 program is a long term financing tool for economic development within a community, and provides growing businesses with long-term financing for purchases or refinancing of land and buildings.

A typical SBA 504 project includes a loan secured with:

1. A minimum down payment of 10 percent equity from the small business being aided— much lower than the usual 25 percent to 50 percent for standard commercial loans.
2. A maximum 50 percent senior loan (1st trust deed) from an SBA-approved lender.
3. A loan secured with a junior lien (2nd trust deed) from the SBA-certified CDC lender covering up to 40 percent of the cost or the maximum allowed, whichever is less.

In addition to lowering the cost of the SBA 504 application process, the 2009 American Recovery and Reinvestment Act also empowers SBA to establish a Secondary Market Lending Authority for pools of CDC-guaranteed “first lien” loans under the SBA 504 program. “First lien” loans from commercial lenders normally have no such guarantee. Nor are they usually assumable. Providing liquidity for these first mortgages will help encourage lenders to continue participating in SBA’s 504 loan program, which provides a key source of capital for community development and other projects.

### Some borrower qualifications

1. The owner’s business must occupy 51 percent of the building’s total area.
2. The business must be “for profit.”
3. Title can be held individually, in a family trust, or corporately. Most small business owners create a separate corporation or company, defined by SBA as an “EPC” or Eligible Passive Company.
4. The business must meet certain size requirements set by SBA guidelines.

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## SBA's 7(a) LOAN COULD BE YOUR DEBT SOLUTION

The Small Business Administration's most popular "loan product" is the 7(a). Like the SBA 504, the 7(a) may be used for real estate transactions, but offers a variety of other options:

- To acquire equipment, machinery, furniture, fixtures, supplies, or materials.  
For long-term working capital, including the payment of accounts payable and/or for the purchase of inventory.
- To refinance existing business indebtedness which is not already structured with reasonable terms and conditions.
- For short-term working capital needs, including Seasonal financing, contract performance, construction financing, export production, and for financing against existing inventory and receivables under special conditions; or
- To purchase an existing business.

## SBA CDC/504 LOANS

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Interest rates on 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. Among SBA's goals are:

- Business district revitalization
- Expansion of exports
- Rural development
- Increasing productivity and competitiveness
- Restructuring due to federally mandated standards or policies
- Changes necessitated by federal budget cutbacks and
- Expansion of women-, minority- and/or veteran controlled small businesses.

SBA 504 funds cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing.

**For more on SBA's 2009 reduced-cost loans, visit  
[www.sba.gov/services/financialassistance/  
sbaloantopics/](http://www.sba.gov/services/financialassistance/sbaloantopics/)  
and talk with your advisors at  
**BaySierra Financial****