WE HELP YOU REDUCE RISK WHILE INCREASING PROFITS
SBA 504
Loan Program Overview

The Small Business Administration 504 loan program is a unique public-private partnership between a Certified Development Company (like B:Side Capital), a lending institution, and the SBA.

DEFINITION

CERTIFIED DEVELOPMENT COMPANY

A Certified Development Company is a non-profit organization certified by the U.S. Small Business Administration to help finance SBA 504 loans in partnership with lending institutions.

USE OF PROCEEDS

• Buy, build, or renovate owner-occupied commercial real estate
• Purchase machinery or equipment
• Debt refinance (see debt refi guide in lender portal)
• Professional fees and interim financing costs can be included in total project financing

TYPICAL EQUITY STRUCTURE

SBA 504 loans are financed in part by a bank (typically 50% of the total loan), in part by B:Side Capital on behalf of SBA (up to 40% of the total loan), and in part by the business owner (typically 10% of the total loan).

STARTUP OR SPECIAL PURPOSE PROPERTY

SBA requires an additional 5% equity injection from the borrower

• Borrower contribution increases to 15%
• B:Side Capital's portion decreases to 35%

STARTUP AND SPECIAL PURPOSE PROPERTY

SBA requires an additional 10% equity injection from the borrower

• Borrower contribution increases to 20%
• B:Side Capital's portion decreases to 30%

*View Special Purpose Property list on page 9.
SBA 504
Eligibility Requirements

**ELIGIBLE BUSINESSES**

- Business is for-profit and located in the United States
- Business is valued at less than $15 million and the business has an after tax profit of less than $5 million a year over the average of two years
- Owner will occupy 51% or more of commercial real estate that is being renovated or purchased
- Owner will occupy 60% or more of commercial real estate that is being built
- Individuals that own 20% or more of the company are willing to act as personal guarantors
- Business has a demonstrated need for credit

**INELIGIBLE BUSINESSES**

- Examples of ineligible businesses are those engaged in illegal activities, gambling, speculation, multi-sales distribution, loan packaging, investment or lending or where the owner is on parole
- Non-profit businesses
- Passive businesses
- Businesses located outside of the U.S.

**QUESTIONS ABOUT ELIGIBILITY?**

Sign into our lender portal to schedule a meeting with one of our loan experts at bsidecapital.org or call us at 303.657.0010
SBA 504
Interest Rates & Fees

**INTEREST RATES**

- Interest rates for the SBA 504 loan program are set on a monthly basis from a bond sale. (10-year interests rates are set every other month.)
- They are fixed for the life of the loan and fully amortized up to 25 years.
- The interest rate on the bank’s portion of the loan is determined by the lender.

Borrowers will not have access to their 504 interest rate until their loan has funded, at which time B:Side Capital contacts the borrower with that information. Interest rates don’t typically fluctuate drastically from month-to-month. (View historical rates on our website.)

**10, 20, & 25 YEAR TERMS**

- 20 & 25 year terms are typically used for commercial real estate
- 10 year terms are typically used for equipment

**FEES**

There are a variety of fees associated with the SBA 504 program, which are independent of any fees charged by the partner lender to the borrower.

- SBA fees to the right total 2.15% net debenture
- A one-time bank participation fee of 0.5% of the bank’s loan amount
- Attorney closing costs of $2,500
- Recording and title costs (typically financed as part of the loan)
- Funding fee: 0.25%
- Guaranty fee: 0.0%
- Processing fee: 1.5%
- Underwriter’s fee: 0.4% (20-year or 25-year rate) or 0.375% (10-year rate)

B:Side Capital does not charge application fees or require non-refundable deposits for loans with a gross debenture of less than $2,000,000. B:Side Capital only earns a fee if a loan successfully funds.

For loans with a Gross Debenture of $2,000,000 or more, two-thirds of the processing fee or 1% of the net debenture will be collected at the time of SBA loan approval. The payment will be due within 10 business days of the authorization and will be non-refundable.
SBA 504
Loan Program Benefits

LENDER BENEFITS

- Reach more clients with competitive interest rates and long-term fixed rates
- Lender is typically only responsible for 50% of the total project financing in the first lien position
- Lender typically only finances 40% of the interim note
- Low LTV strengthens private lender’s loan portfolio
- Secondary market provides additional income opportunities
- No maximum loan amount for the banks portion of the loan, so it’s flexible to fit a variety of project scopes

BORROWER BENEFITS

- Long-term, below market, fixed interest rates (10, 20, and 25 year options)
- Up to 90% of the total project costs can be financed
- Longer loan amortizations allows for lower monthly payments
- Borrower typically only pays 10% down on commercial real estate, preserving cash for their business
- Allows business owner to build equity and create jobs

Partner with B:Side Capital by creating an account at bsidecapital.org
**LIFE INSURANCE**

- If the on-going viability of a business is dependent on a sole proprietor or the business is a single member LLC, collateral assignment of key-person life insurance is required.

**PERSONAL/CORPORATE GUARANTEES**

- Personal guarantees are required from every person or entity owning 20% or more of the business or real estate holding entity owning any of the real estate, machinery, or equipment being financed.
- A personal guarantor is required on every 504 loan, even if no one owns more than 20%.

**ENVIRONMENTAL REPORTS**

- Prior to funding, evidence must be provided that a project property is free and clear of environmental hazards.
- Either a Records Search Risk Assessment report plus an environmental questionnaire completed by the seller, a Transactional Screening Analysis (TSA), a Phase I or a Phase II report may be required.
- All reports should name the U.S. Small Business Administration, B:Side Capital, Ltd. in addition to the name of the lending institution.

**APPRAISALS**

- Appraisals are required for all projects involving the purchase, improvement, and/or construction of real estate.
- Must have at least two valuation methods for projects over $500,000.
- Must be ordered by the participating lender, performed by a state-certified appraiser and must name the U.S. Small Business Administration in addition to the name of the lending institution as an intended user.
**SBA 504 Project Example**

### USE OF PROCEEDS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase land &amp; building</td>
<td>$850,000</td>
</tr>
<tr>
<td>Renovations</td>
<td>$100,000</td>
</tr>
<tr>
<td>Buy machinery &amp; equipment</td>
<td>$40,000</td>
</tr>
<tr>
<td>Professional fees</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>TOTAL PROJECT COSTS</strong></td>
<td><strong>$1,000,000</strong></td>
</tr>
</tbody>
</table>

### SBA 504 FINANCING STRUCTURE

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank's conventional loan</td>
<td>$500,000</td>
</tr>
<tr>
<td>Net 504 loan proceeds</td>
<td>$400,000</td>
</tr>
<tr>
<td>Borrower's contribution</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

### SBA 504 LOAN PROGRAM FEES

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net 504 loan proceeds</td>
<td></td>
<td>$400,000</td>
</tr>
<tr>
<td>Fiscal agent fee</td>
<td>0.25%</td>
<td>$1,000</td>
</tr>
<tr>
<td>SBA guarantee fee</td>
<td>0.00%</td>
<td>$0,000</td>
</tr>
<tr>
<td>CDC processing fee</td>
<td>1.5%</td>
<td>$6,000</td>
</tr>
<tr>
<td>Closing fee (example)</td>
<td>set</td>
<td>$4,550</td>
</tr>
<tr>
<td>Debenture underwriting fee*</td>
<td>0.40%</td>
<td>$1,650</td>
</tr>
<tr>
<td><strong>TOTAL NET 504 + FEES</strong></td>
<td></td>
<td><strong>$413,200</strong></td>
</tr>
<tr>
<td><strong>ACTUAL 504 LOAN (ROUNDED UP)</strong></td>
<td></td>
<td><strong>$414,000</strong></td>
</tr>
<tr>
<td><strong>BALANCE RETURNED TO BORROWER</strong></td>
<td></td>
<td><strong>$800</strong></td>
</tr>
</tbody>
</table>

*The underwriting fee is a percentage of the actual 504 loan*
SBA 504
Loan Application Checklist

The following items will need to be collected from the borrower in order to complete the loan application.

**BUSINESS RELATED DOCUMENTS**
- Business interim financial statements (dated within 120 days)
- Projections (if business is less than two years old or is expanding)
- Business tax returns (2-3 years)
- Affiliate business tax returns and debt schedules
- Business history
- Organizational documents
- Lease documents
- Previous SBA financing documents (if applicable)
- If refinancing eligible debt: copies of existing notes, plus transcripts showing payment history
- Copy of fully executed franchise agreement (if applicable)

**PROJECT RELATED DOCUMENTS**
- Copies of all project cost documents
- Environmental reports
- Appraisal
- Bank commitment letter

**IN-APPLICATION DOCUMENTS**
- Loan disclosure statement
- Aging accounts receivable and accounts payable report
- Financial projection information
- Personal financial statement (SBA Form 413)
- Tax transcript verification (IRS Form 4506-C)
- SBA required documents (SBA 1244 Forms)
- Others as needed

Document details can be found in the Loan Application, downloaded from the lender portal at bsidecapital.org
SBA 504
Application & Loan Process

APPLICATION PROCESS

STEP 1:
Go to bsidecapital.org and sign up for an account on our lender portal.

STEP 2:
Utilize our resources in the lender portal to identify eligibility. You can chat us with questions or call us to better assess your project. (303.657.0010)

STEP 3:
Whether or not you have all of the required documents, the first step to begin the loan process will be to complete our brief submission form: bsidecapital.org/submit-a-loan

STEP 4:
You will receive a link to our Secure Document Portal and assigned to a Loan Officer.

LOAN PROCESS

STEP 1: (APPROVAL #1)
Once we have gathered the required documentation, your project will be presented to our External Loan Review Committee for approval before sending it to SBA.

STEP 2:
Once approved, we will work with you and the borrower to complete the loan file in preparation for SBA submission.

STEP 3: (APPROVAL #2)
SBA receives and reviews the completed application and issues authorization, if approved.

STEP 4: (CLOSING & FUNDING)
You will be introduced to a Loan Closing Officer to help close and fund the loan. They will also discuss details around interim financing and collect final documentation for funding.

STEP 5:
The loan will fund within 6-8 weeks of closing at which point the interest rate is set for the 504 portion of the project. B:Side Capital’s Servicing Team contacts the borrower at this time with their debenture.

STEP 6:
If applicable, B:Side Capital will pay down the interim financing from the lender once funded, leaving the borrower with two loans, one from the bank and one from SBA. (Note: The lender sets the interest rate on their portion of the loan.)

STEP 7:
Our Servicing Team works with the borrower for the life of loan. Please email servicing@bside.org should you have questions.
SBA 504
Special Purpose Properties

SBA requires an additional equity injection from the borrower if it is considered a Special Purpose Property where infrastructure of the real estate is limited to a specific type of business. Below is a list that contains examples of properties that SBA considers a Special Purpose Property. This list is not all-inclusive and SBA may determine other properties to meet the definition.

- AMUSEMENT PARKS
- BOWLING ALLEYS
- CAR WASHES
- COLD STORAGE FACILITIES
- DORMITORIES
- FARMS (INCLUDING LIVESTOCK/DAIRY FACILITIES)
- FUNERAL HOMES WITH CREMATORIUMS
- GAS STATIONS
- GOLF COURSES
- HOSPITALS & OTHER HEALTH OR MEDICAL FACILITIES
- HOTELS, MOTELS & OTHER LODGING FACILITIES
- MARINAS
- MINES
- NURSING HOMES & ASSISTED LIVING
- OIL WELLS
- QUARRIES
- SANITARY LANDFILLS
- SERVICE CENTERS
- SPORTS ARENAS
- SWIMMING POOLS
- TENNIS CLUBS
- THEATERS & AUDITORIUMS
- WINERIES
SBA 504
Prepayments

DETAILS

- A borrower can only pay-off a loan once a month, typically on the third Thursday of that month (unless conflicting with a holiday).
- Borrowers are encouraged to plan ahead and notify B:Side Capital at least 30 days in advance of anticipated pay-off date.
- It may not be economically viable for borrowers to pay off a loan within two years of funding.
- A unique prepayment schedule is provided to every borrower after their loan funds.

EXAMPLE: PREPAYMENT SCHEDULE BASED OFF 5.47% INTEREST RATE

The prepayment penalty is based off of the underlying note rate versus the effective interest rate

| Year 1  | = (100% x 5.47%) x outstanding 504 loan principal |
| Year 2  | = (90% x 5.47%) x outstanding 504 loan principal |
| Year 3  | = (80% x 5.47%) x outstanding 504 loan principal |
| Year 4  | = (70% x 5.47%) x outstanding 504 loan principal |
| Year 5  | = (60% x 5.47%) x outstanding 504 loan principal |
| Year 6  | = (50% x 5.47%) x outstanding 504 loan principal |
| Year 7  | = (40% x 5.47%) x outstanding 504 loan principal |
| Year 8  | = (30% x 5.47%) x outstanding 504 loan principal |
| Year 9  | = (20% x 5.47%) x outstanding 504 loan principal |
| Year 10 | = (10% x 5.47%) x outstanding 504 loan principal |
Contact Us
How to get in touch

PHONE
303.657.0010, Select Option 2 for Loan Production

FAX
303.657.0140

EMAIL
hello@bside.org or loanproduction@bside.org

LENDER PORTAL
- Create an account or sign in to the lender portal at bsidecapital.org
- You can send us projects, download loan applications, access loan calculators and use our chat function to quickly get questions answered

our mission is to foster the economic growth of diverse small businesses