

504 Loan Program

Presented By:

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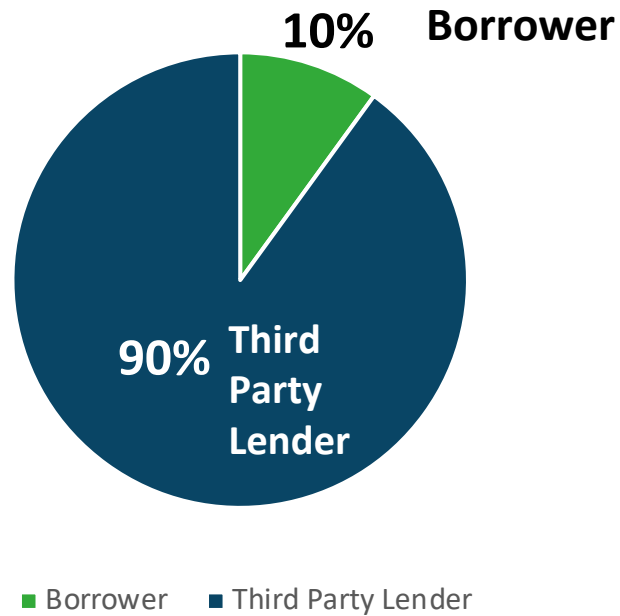
504 Loan Program

- Established to help businesses looking to acquire, expand, or construct owner occupied commercial real estate and / or equipment with lower down payment requirements than conventional financing to preserve working capital.
- Program goals include Job Creation and/or Public Policy & Local Development Goals
- A 504 loan reduces the risk to the participating lender through its structure as second mortgage financing.
- 504 loans are funded through a sale of a Debenture that are guaranteed 100% by SBA
- Administered by SBA through Certified Development Companies like WBD and BLP
- Competitive, long term fixed-rate financing (10, 20, or 25 years)
- Lower down payment requirements than conventional financing

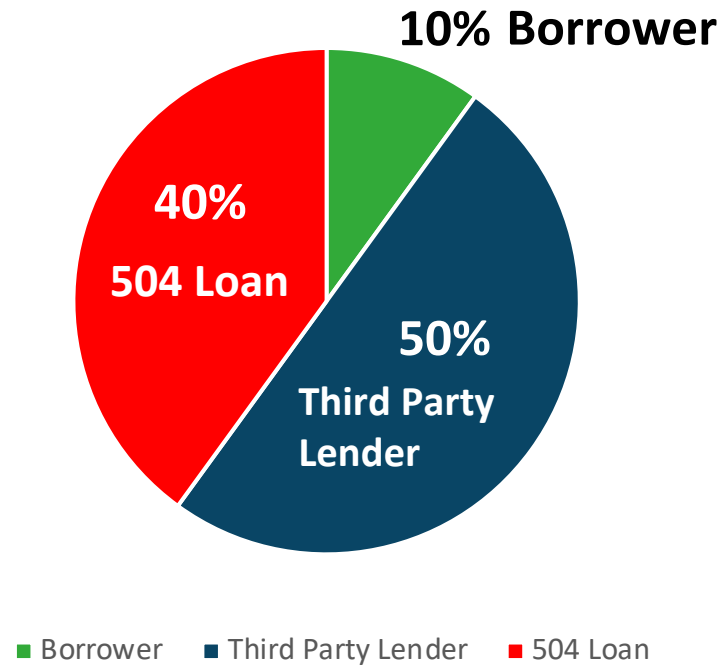
Common Industries / Projects (Fixed Asset Acquisition or Refinance)

- Manufacturing
- Professional Buildings
- Self-Storage Facilities
- Restaurants
- Retail
- Assisted Living (CBRF / RCAC)
- Hotels / Resorts / Campgrounds
- Business Acquisition including Real Estate

Interim Financing



Permanent Financing: 50-40-10



Typical 504 Loan Structure

- Third Party Lender's (TPL) portion is a conventional loan
- TPL may take additional collateral during Interim
- 504 portion has 100% SBA guaranty

Lower / Flexible Borrower Contribution

- As little as 10% down
- Owner's Personal Cash
- Cash from Business Operations
 - Interim interest
 - Down payments related to eligible project costs
- Proceeds from Seller, Municipal Loan, or TIF
 - Borrowed funds secured by project assets must have the same Term as the 504 debenture
 - Municipal loans with favorable terms may be granted an exception to this "same term" rule
 - If unsecured, no minimum term or percentage of project requirement
- Equity in Real Estate
 - "As Is" appraised value, less existing debt, if owned at least 2 years

Long-Term Financing Commitments

- 25-Year or 20-Year Debenture (Real Estate):
 - Third Party Lender's loan must have at least a 10 year maturity
 - Combined real estate & equipment projects (mixed-use) are possible based on concentration of equipment
 - Declining Voluntary Prepayment Penalty applies for 10 years
- 10-Year Debenture (Equipment):
 - Third Party Lender's loan must have at least a 7 year maturity
 - Equipment project may be financed with a 20 year or a 25 year Debenture based on the equipment's certified useful life
 - Declining Voluntary Prepayment Penalty applies for first 5 years
- Amortization of Third Party Lender's loan does not have to match the SBA 504 Debenture

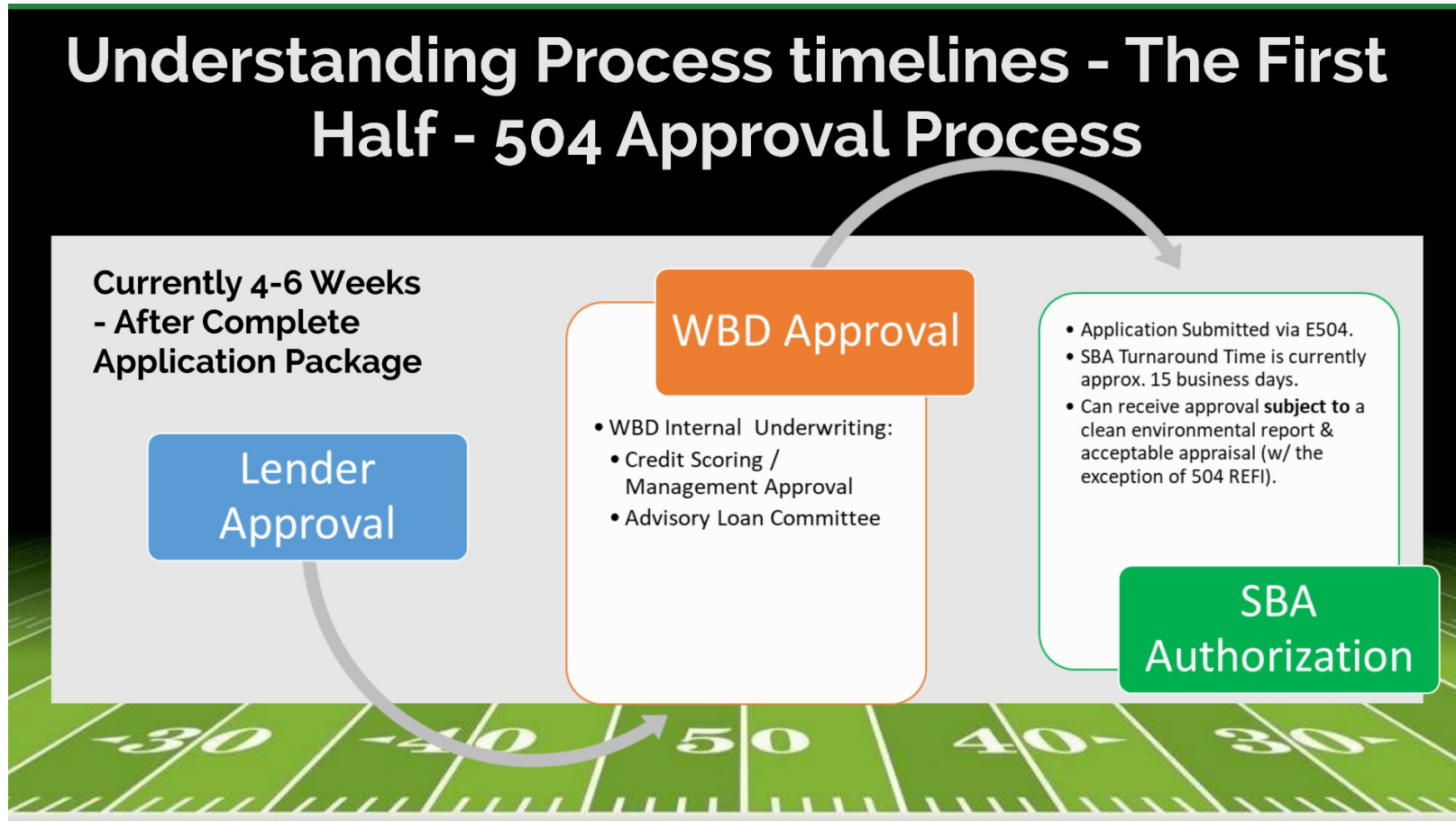
Competitive Long-Term Fixed Rate

- Current Effective 504 Fixed Interest Rates:
 - 25 Year – 5.19% (June 2022)
 - 20 Year – 5.13% (June 2022)
 - 10 Year – 4.93% (May 2022)

Key Takeaways

- Provides an affordable payment structure, with long term financing commitments
- Borrower hedges interest rate risk on up to 40% of the financing structure
- Helps your customers preserve working capital with lower down payment requirements than conventional financial
- Very comfortable post debenture funding LTV position (typically 50%)
- Reduced Audit Scrutiny
- Third Party Lender's loan is not subject to annual SBA loan servicing fees
- Lender does not have to perform monthly SBA loan reporting on its Third Party Lender loan

SBA 504 Timeline



Potential Reasons for Delay

- Environmental Issues
 - Do we have a clean Phase I with a recommendation for no further action?
 - Do we have an SBA reliance Letter?
- Historical Property (State Historical Preservation Office Approval)
 - Needed if a building is 100 years old or on a state or federal registry.
- Purchase with improvements
 - Does the borrower have a final budget so the appraisal can be ordered?

How can the Real Estate Broker Help?

MANAGE EXPECTATIONS!

- Research the property
 - The age of the property / is it on a registry?
 - The environmental history of the property
- Writing the offer with reasonable timelines.
 - Any SBA deal should have 90 days to close
 - If there are improvements, it should be 90 days from final budget
 - If there are environmental concerns maybe the closing date is left open ended until it can be determined what that final status of the environmental is.