

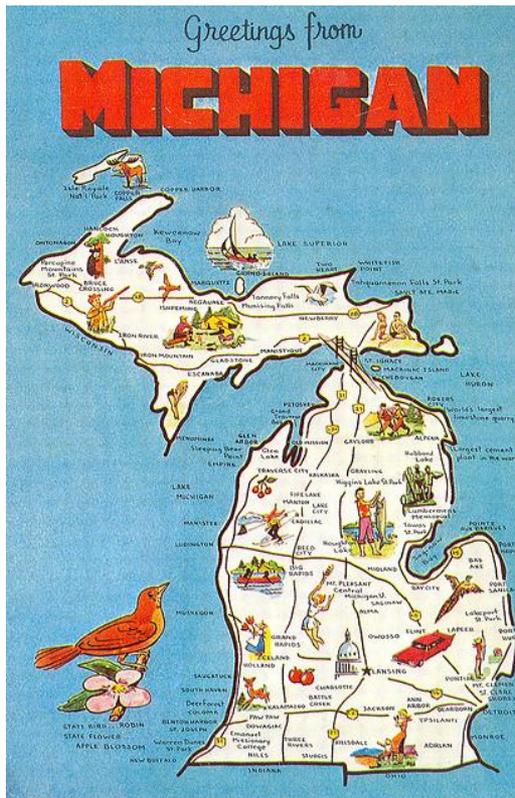
Kevin Congdon, *Loan and Finance Officer*
Financial Services



August 9, 2017

Financial Services

Business Finance Corporation



U.S. Small Business Administration
SBA 504 Loan Program

SBA 504 Loans

- Traditional 504
- New 504 Refinance
- 504 Refinance with expansion

SBA 504 Loan Program

Eligible Business

For-Profit Business engaged in

- Manufacturing
- Retail
- Wholesale/Distributing
- Service
- Construction



SBA 504 Loan Program

Eligible Project Costs

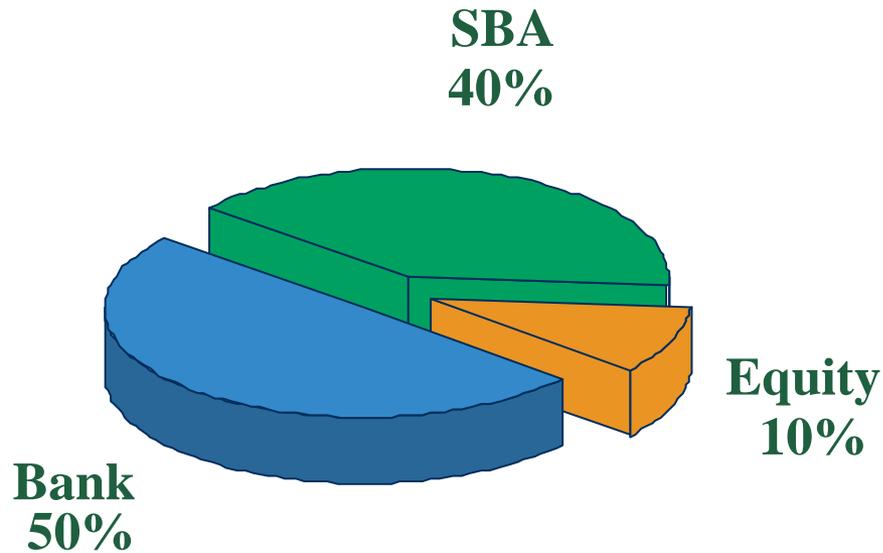
- Land acquisition and improvements
- Building construction, acquisition and renovation
- Machinery and Equipment (new & used)
- Professional fees
- Interest, fees, & points on interim loan
- Refinancing now available



SBA 504 Loan Program Participation

- Take Out Financing
- SBA Issues commitment prior to bank's closing
- Bank provides interim financing
 - Typically 90% with end financing of 50%
- SBA loans are funded by the sale of federally guaranteed debentures sold on the open market

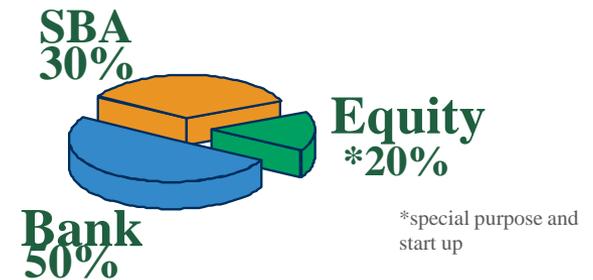
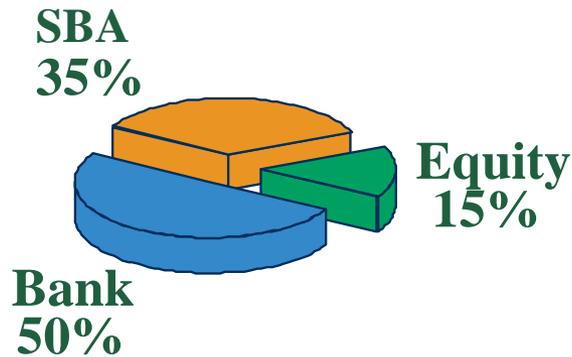
SBA 504 Loan Program Typical Structure



Percentage breakout based on total project costs

SBA 504 Loan Program

Special Purpose or/and Start Up



- Special purpose building
Examples: bowling alley, golf course, nursing home
- Start up defined as:
In operation less than two years and/or a change in ownership

SBA 504 Loan Program

SBA Terms & Interest Rate

Real Estate and Equipment

- 10 or 20 year term

Equipment only

- 10 year term
 - Can be 20 year term if asset life is longer

****Fixed rate for the full term of the loan**

SBA 504 Loan Program Ineligible Project Costs

- ❑ Working Capital
- ❑ Taxes
- ❑ Autos, trucks or airplanes
- ❑ Bank fees on end loan
- ❑ Counseling, finders or franchise fees



SBA 504 Loan Program Eligibility

Owner Occupied Real Estate

- 51% existing building
- 60% new construction

- Total project can involve more than one operating concern

SBA 504 Loan Program

Project Size

Range between \$150,000 - \$13,000,000+

- Regular or Public Policy Projects
SBA maximum \$5,000,000
- Manufacturing or Energy Efficiency
SBA maximum of \$5,500,000
- SBA cannot exceed 40% of the total project costs



SBA 504 Loan Program

Eligible Small Businesses

- Tangible net worth of operating company and affiliates must be less than \$15 million
- Average annual net profit after tax for the previous two years of less than \$5 million

SBA 504 Loan Program

Credit Criteria

- Adequate cash flow coverage to service new and existing debt
- Sufficient collateral to secure the loan
- Sufficient working capital to sustain the growth of the company

SBA 504 Loan Program

Collateral

- Liens of the fixed assets financed
 - Bank: 1st lien position
 - SBA: 2nd lien position
- Personal guarantee of any person owning 20% or more
- Additional collateral may be required
 - Life Insurance, real estate, other

SBA 504 Loan Program

Collateral

- An appraisal of property is required for any project over \$250,000
- Environmental Due Diligence is required on all projects



SBA 504 Loan Program Jobs Requirement

- One job must be created and/or retained for every \$65,000 the SBA lends unless the business meets a public policy goal.

*Goals: minority/woman/veteran owned, manufacturing, rural development, exports, energy efficiency, labor surplus, community revitalization



SBA 504 Loan Program Fees

Good news: These can be financed in the SBA 504 loan!

- One-time up front fee paid by the bank equal to $\frac{1}{2}$ of 1% of the bank's end loan
- One-time processing fee of approximately 2.15% of the SBA's portion of the loan
- Ongoing servicing fee of approximately 1.5% of the SBA's portion of the loan (included in effective loan rate)
- Loan closing fees of \$2,900

SBA 504 Loan Program Benefits

- Low Down Payment typically 10%
- Low Fixed Rates
- Long Term Financing
- Extended Terms on bank portion



SBA 504 July 2017 Effective Rates

Traditional 504

4.76% 20-Year

4.49% 10-Year

Refinance

4.80% 20-year

4.54% 10-year

Contacts

For more information about the 504 Debt Refinance Program contact:

Kevin Congdon, *Loan Officer*

congdonk@oakgov.com

248-858-0868

Mary Langhauser, *Supervisor*

langhauserm@oakgov.com

248-858-0879

Cathy Rasegan, *Loan Officer*

raseganc@oakgov.com

248-858-5101



OAKLAND COUNTY
BUSINESS FINANCE
CORPORATION

Microloan Program



- \$5,000 - \$50,000
- Fixed interest rate
- Repayable up to 5 years (no pre-pay penalties)
- Collateral – Personal Guarantees of owners with 20% or more ownership. Secured with collateral and/or co-signer.
- Business Assistance meetings on a monthly basis may also be required.

Industrial Revenue Bond



OAKLAND COUNTY
ECONOMIC DEVELOPMENT
CORPORATION

- For Manufacturers and Not-For-Profit 501(c)3 organizations
- Fixed Asset financing
- Terms up to 30 years with interest rates set by Bond Market
- Aims to create jobs and increase tax base locally.
- Fees are financeable
- Loan amounts up to \$10 Million for Manufacturers, and no limit on Not-For-Profits.