



SBA 504 PROGRAM

Financing Kentucky's Businesses

SKED is a U.S. Small Business Administration (SBA) Certified Development Company (CDC) partnering with the SBA to provide small business financing throughout the state of Kentucky.

The SBA 504 loan program was created for two reasons: (1) To provide financing to entrepreneurs who are ready to expand and need funds to purchase real estate or capital assets, and (2) for the purpose of stimulating economic development through job creation, business growth and increased tax revenues.

What can the SBA 504 loan program be used for?

- Purchase of land and buildings
- Construction of new facilities
- Purchase of machinery and equipment with a useful life of at least 10 years
- Renovations or additions to an existing building
- Soft costs like architectural and legal fees, environmental studies, appraisals, and interest and fees on the construction and/or interim bank financing can also be included the loan.

Can the SBA 504 Program refinance existing debt?

The Small Business Jobs Act of 2010 establishes a two-year program, expiring September 2012, for existing business debt refinancing.

- Standard SBA 504 guidelines apply for the business, owners and assets to be refinanced.
- Existing debt to be refinanced must be at least two years old.
- Cannot refinance existing Federal loans such as SBA 7a or USDA loans.
- Borrower must be current on all project loan payments for the past year.

SBA 504 loans cannot be used for:

- Working Capital
- Rolling stock such as cars, trucks, and buses

What is the maximum SBA loan amount?

- \$5.0 million for regular 504 loans - not to exceed 40% of the total project cost
- \$5.5 million for manufacturing
- For a special purpose facility such as a restaurant, gas station or for a startup business less than 2 years old, the maximum 504 loan participation is 35% of the total project cost.

How is the SBA loan structured?

A typical 504 project is structured with 50% of the project costs provided through a private-sector bank, 40% of the project costs are fixed with a fixed-rate 504 loan and the final 10% of the project cost is provided by the purchaser.

What are the eligibility issues of the SBA 504 program?

Most for-profit businesses that meet the following small business size standards:

- A tangible net worth of not more than \$15 million, and
- Average net profits, after taxes, of less than \$5.0 million for the past two years, and
- U.S. residents must own 51% of the business.

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