

Chesapeake Business Finance Corp.

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SBA 504 Loan Program – Fact Sheet

Summary	High loan-to-value (90%) financing to purchase, build or renovate owner-occupied commercial property or equipment.
Loan structure	Long-term, fixed-rate, subordinated loans or mortgages
Eligible uses	Fixed assets: Land, building, equipment, construction, renovation, and related soft costs (professional fees & interim interest)
Borrowers	Manufacturing, service, wholesale, retail, motels, other
Ineligible uses	Refinance, working capital, non-profits, investment property
Eligible borrowers	Independent for-profit business. Net worth with affiliates under \$7 million and net income after taxes under \$2.5 million – or manufacturers under 500 employees and wholesalers under 100 employees
Interest rates	Approximately 3% over 10 year Treasury Bonds – or 6-7%
Term	20 yrs for land and building – 10 yrs for equipment – level mo. payments
Total financing requests	\$500,000 to \$10 million
SBA 504 Loan amounts	\$250,000 to \$1.3 million
Typical transaction	Business purchases and rehabs commercial property for its own use.
Advantages of ownership	Build-up equity, control property, benefit from improvements
Collateral requirements	A subordinated lien or mortgage on the assets financed
Requirements	(1) A senior loan from for at least 50% of the total project cost (2) Sufficient projected cash flow to repay all financing
Advantages for business	(1) Low cash down (10%) for purchase of owner-occupied property (2) Long-term loan with fixed-rate, below-market interest rates (3) No extra collateral such as second mortgages on residences
Advantages for lender	(1) Better loan-to-value (2) Better cash flow for customer
Prepayment	Declining prepayment penalty for first half of loan term
Fees	(1) Lender pays SBA 0.5% of first mortgage (2) Borrower pays 2.7% of 504 loan – which is included in the note
Geographic market	Maryland, DC, Southern Delaware, Arlington County - Virginia
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