

# Fixed Asset Financing for Small Business

## Typical 504 Structure

<b>1st Mortgage</b>	<b>50%</b>
Bank Minimum 7- or 10-Year Term	
<b>2nd Mortgage</b>	<b>40%</b>
504 Debenture 10- or 20-Year Term; Fixed Rate	
<b>Borrower Equity</b>	<b>10%</b>
Cash or Land	
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<b>Total Project Costs</b>	<b>100%</b>

The maximum 504 involvement is 40% of eligible project costs, not to exceed \$5,000,000. Maximum loan size may be increased upwards to \$5,500,000 for manufacturers and energy saving businesses. There is no maximum on eligible project costs.

## Loan Fees and Closing Costs

A 504 Loan can be done with no out-of-pocket cost to the small business. Loan fees and closing costs are financed as part of a 504 loan. Typically, 504 loan fees equal three percent of the net loan plus \$1,500 in closing costs.

**Low-interest**

**Long-term**

**Fixed-rate**

## Long-term, Fixed Rate Financing

The SBA 504 offers 10- or 20-year fixed asset financing on up to 40% of eligible project costs to qualifying businesses.

## Low Equity Contribution

A 504 Loan helps your small business conserve cash for working capital needs. 504 Loans require as little as a 10% equity contribution for expansion of existing businesses; 15% equity contribution for new businesses; and 20% for speciality buildings.

## Below-Market, Fixed-Interest Rate

Interest rates on a 504 Loan are typically lower than other longterm, fixed rate financing. Historically, the effective interest rate on a 504 loan is about 200 basis points above the US Treasury Bill Rate.

## Eligible Project Costs

The 504 Loan program may finance the purchase of land and buildings, new construction or renovations to buildings, machinery and equipment with a useful life of at least 10 years, and associated project costs, e.g. professional fees and interim construction financing. 504 loans are not available for purchase of rolling stock, inventory or working capital.

## Eligibility Standards

A 504 loan is designed to meet the start-up and expansion needs of for-profit corporations, partnerships and proprietorships with a net worth smaller than \$15 million and an average net income of \$5 million or less for the last two years.

CORPORATION FOR  
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