



TEXAS PANHANDLE REGIONAL DEVELOPMENT CORPORATION

SBA 504 LOAN PROGRAM

LONG-TERM FIXED RATE COMMERCIAL REAL ESTATE FINANCING FOR EXPANDING OR STARTUP BUSINESSES

Texas Panhandle Regional Development Corporation (TPRDC) is a private, nonprofit corporation that is certified by the U.S. Small Business Administration (SBA) to deliver the 504 Loan Program in the state of Texas. TPRDC works with private-sector lenders to provide financing to small businesses. The U.S. Small Business Administration's 504 Loan Program enables expanding businesses or business startups to secure long-term, fixed-rate financing for major fixed assets, such as land, buildings, and/or long-term equipment through loans made by TPRDC.

The program is designed to enable small businesses to create and retain jobs; SBA requires TPRDC to document the small business job creation/retention and meet the standard of one job created or retained for every \$65,000 of loan proceeds provided to the small business by TPRDC. This requirement is waived for loans meeting public policy goals.

Typically, a 504 project includes:

- 50%** A loan secured with a senior lien from a private-sector lender covering 50% of the project cost.
- 40%** A second loan secured with a subordinate lien from TPRDC (a 100% SBA-guaranteed debenture).
- 10%** A contribution of at least 10% (and up to 20%) equity by the borrower. The equity contribution is subject to increase 5% if the business is new (operating less than two years) and another 5% if it is a special/single-use facility, up to a maximum of 20%.

The maximum TPRDC loan amount is generally \$5 million. Small manufacturers and eligible projects that reduce the borrower's energy consumption by at least 10% (and/or plant, equipment, and process upgrades of renewable energy sources) can apply for up to \$5.5 million.

USE OF PROCEEDS

Proceeds from 504 loans must be used for fixed-asset projects, such as:

- ➔ Purchasing land and improvements: including existing building, grading, parking lots, and landscaping
- ➔ Construction of new facilities, modernizing, renovating, or converting existing facilities
- ➔ Purchasing long-term machinery and equipment

The 504 Loan Program cannot be used for working capital, inventory, or repaying short-term debt.

INTEREST RATES AND TERMS

Interest rates on the SBA portion of the 504 loans are fixed for the life of the loan and are based on the prevailing market interest rates at the time the loan is funded. Generally, these rates are better than commercially available interest rates. Terms available for these loans include 10-, 20-, and 25-year maturities. Fees from the TPRDC loan total approximately 2.8% of the debenture and are financed with the loan. A small prepayment premium is present during the first half of the loan term.

COLLATERAL

Generally, the project assets being financed are used as collateral. Personal guaranties of the principal owners are also required. Assignment of life insurance on the owner or key individuals of the business is required as collateral.

CONTACT INFORMATION

For additional information about the program or to start the loan application process, please contact the TPRDC staff at 806.331.6172 or visit www.tprdc.com.

**LEARN MORE ABOUT THE PROGRAM AND START
THE LOAN APPLICATION PROCESS**

LEARN MORE