



Small Business Financing



504 Loan Profile: Making Small Business Financing More Affordable

Here's how a 504 loan works: a project typically involves a first mortgage from a commercial lender (usually 50%) and a second mortgage from FFCFC (usually 40%). The borrower's down payment is usually only 10%, thus conserving working capital to expand the business and create jobs.

Other FFCFC 504 Loan Criteria

Principals/Owners:

- Owners must be U.S. citizens or registered aliens with green card.
- Owners cannot be on probation.
- Liquid assets of the principles are taken into account in determining eligibility.

Collateral:

- Generally, the project assets being financed are used as collateral.
- Anyone who owns 20% or more of the operating company must personally guarantee.

Prepayment:

- There is a prepayment penalty for the first half of the 504 loan term. Contact an FFCFC Loan Officer for specific details.

Project Costs – Existing Facility Example

Land and Building	\$800,000
Renovations	100,000
Machinery	50,000
Soft and Closing Costs	50,000
Total Project Cost	\$1 million

Project Costs – New Construction Example

Land	\$250,000
Construction	600,000
Soft and Closing Costs	150,000
Total Project Cost	\$1 million

FFCFC 504 Loan Structure

Lender First Mortgage (50%)	\$500,000
FFCFC Second Mortgage (40%)	400,000
Borrower Equity (10%)	100,000
Total Project Cost	\$1 million

