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Centralization
Information
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The SBA's CDC/504 Loan Program

The CDC/504 loan program is a long-term financing tool for economic development within a community. The 504 Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. A Certified Development Company is a nonprofit corporation set up to contribute to the economic development of its community. CDCs work with the SBA and private-sector lenders to provide financing to small businesses.

Typically, a 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a loan secured with a junior lien from the CDC (backed by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business being helped.

Maximum Debenture

The maximum SBA debenture is \$1,500,000 when meeting the job creation criteria or a community development goal. Generally, a business must create or retain one job for every \$50,000 provided by the SBA except for "Small Manufacturers" which have a \$100,000 job creation or retention goal (see below). The maximum SBA debenture is \$2.0 million when meeting a public policy goal.

The public policy goals are as follows:

- Business district revitalization.
- Expansion of exports.
- Expansion of minority business development.
- Rural development.
- Increasing productivity and competitiveness.
- Restructuring because of federally mandated standards or policies.
- Changes necessitated by federal budget cutbacks.
- Expansion of small business concerns owned and controlled by veterans (especially service-disabled veterans)
- Expansion of small business concerns owned and controlled by women.

The maximum debenture for "Small Manufacturers" is \$4.0 million. A Small Manufacturer is defined as a small business concern that has: Its primary business classified in sector 31, 32, or 33 of the North American Industrial Classification System (NAICS); and All of its production facilities located in the United States.

In order to qualify for a \$4 million 504 loan, the Small Manufacturer must 1) meet the definition of a Small Manufacturer described above, and 2) either (i) create or retain at least 1 job per \$100,000 guaranteed by the SBA [Section 501(d)(1) of the Small Business Investment Act (SBI Act)], or (ii) improve the economy of the locality or achieve one or more public policy goals [sections 501(d)(2) or (3) of the SBI Act].

What funds may be used for :

Proceeds from 504 loans must be used for fixed asset projects such as: purchasing land and improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping; construction of new facilities, or modernizing, renovating or converting existing facilities; or purchasing long-term machinery and equipment. The 504 Program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing.

Terms, Interest rates and Fees:

Interest rates on 504 loans are pegged to an increment above the current market rate for five-year and 10-year U.S. Treasury issues. Maturities of 10 and 20 years are available. Fees total approximately three (3) percent of the debenture and may be financed with the loan.

Collateral:

Generally, the project assets being financed are used as collateral. Personal guaranties of the principal owners are also required.

Eligible Business:

To be eligible, the business must be operated for profit and fall within the size standards set by the SBA. Under the 504 Program, the business qualifies as small if it does not have a tangible net worth in excess of \$7.5 million and does not have an average net income in excess of \$2.5 million after taxes for the preceding two years. Loans cannot be made to businesses engaged in speculation or investment in rental real estate.

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Lender Rankings
Fiscal Year 2007 – October 1, 2006 thru January 31, 2007

Harlingen District Top Volume Lenders		
1. JP Morgan Chase	14	\$345,600
2. First Community Bank	10	\$2,102,400
3. Business Loan Center	10	\$365,000
4. Wells Fargo Bank	9	\$310,000
5. Innovative Bank	6	\$90,000
6. Capital One FSB	5	\$310,000
7. ValueBank Texas	4	\$862,000
8. Superior Financial Group	4	\$20,000
9. CIT Small Business Lending	3	\$3,378,900
10. McAllen National Bank	3	\$1,305,000

Harlingen District Top Volume CDC's		
1. Texas CDC	3	\$2,057,000
2. Capital CDC	3	\$1,720,000
3. Houston Galveston Area LDC	2	\$2,870,000

Harlingen District Top Volume Third Party 504 Lenders		
1. Temecula Valley Bank	1	\$5,450,000
2. American Bank	1	\$2,000,000
3. Business Lenders, LLC	1	\$1,650,000
4. Amergy Bank, N.A.	1	\$1,114,000
5. Main Street Lenders	1	\$1,035,000

Upcoming Lender Training

03/06/07 – 9:00 am – 11:00 am – New Centralization Procedures for Processing Standard 7(a) Loans; SBA District Office, Harlingen, Texas. For more info, call Thelma Garza at 956-427-8533, x230

Save the Date!

Mid America Lenders' Conference
August 8-10, 2007
The Peabody Hotel, Little Rock, AR
Add To Your Favorites: <http://malc-conference.com/>

Important SBA Notice

5000-1013 - Technical Assistance Requirements Under the Community Express Program

Ten Reasons to Love Texas Small Business ~The Heart of the State's Economy

WASHINGTON, D.C. – Small businesses are the heart of Texas' economy, and the Office of Advocacy of the U.S. Small Business Administration is sending them this Valentine with the reasons to love them.

10. Small businesses make up 98.7 percent of all Texas employers.
9. Small businesses create more than 50 percent of the American non-farm private gross domestic product (GDP).
8. Small patenting firms produce 13 to 14 times more patents per employee than large patenting firms.
7. The 1,988,900 small businesses in Texas are located in every community and neighborhood.
6. Small businesses employ 47.7 percent of Texas' non-farm private sector workers.
5. Home-based businesses account for 53 percent of all small businesses.
4. Small businesses are 97 percent of America's exporters and produce 26 percent of all export value.
3. Texas saw an estimated 55,858 new small firms with employees start-up in the last year measured.
2. There are approximately 504,700 minority-owned businesses and 468,705 women-owned businesses in Texas, and almost all of them are small businesses.
1. The latest figures show that small business creates 65 percent or more of America's net new jobs.

The Office of Advocacy, the "small business watchdog" of the government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President. It is the source for small business statistics presented in user-friendly formats and it funds research into small business issues. For more information, visit the Office of Advocacy website at www.sba.gov/advo.