



# **SBA 504 LOAN PROGRAM**

TEXAS PANHANDLE  
REGIONAL DEVELOPMENT  
CORPORATION

## **SBA 504 LOAN PROGRAM**

***Long-Term, Fixed-Rate  
Commercial Real Estate  
Financing for Expanding or  
Start-Up Businesses***

**An Economic Development Initiative of  
Panhandle Regional Planning Commission**

Texas Panhandle Regional Development Corporation (TPRDC) is a nonprofit corporation that contributes to the economic development of the Texas Panhandle and the State of Texas. TPRDC works with the U.S. Small Business Administration (SBA) and private-sector lenders to provide financing to small businesses. The U.S. Small Business Administration's 504 Loan Program enables expanding businesses or business start-ups to secure long-term, fixed-rate financing for major fixed assets, such as land and buildings 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 businesses job creation/retention and meet the standard of one job created or retained for every \$50,000 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 -

- a loan secured with a senior lien from a private-sector lender covering up to 50% of the project cost,
- a second loan secured with a subordinate lien from TPRDC (a 100% SBA-guaranteed debenture) covering 30% to 40% of the project cost, and
- a contribution of at least 10% (and up to 20%) equity by the borrower.

The maximum TPRDC loan amount is generally \$1.5 million (up to \$2.0 million for public policy projects and up to \$4.0 million for small manufacturers).

### **USE OF PROCEEDS**

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; and
- purchasing machinery and equipment.

The 504 Program cannot be used for working capital, inventory, consolidating or repaying debt, or most refinancing.

### **INTEREST RATES AND TERMS**

Interest rates on 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 and 20 year maturities. Fees total approximately 2.3% of the debenture and are financed with the loan. A small prepayment penalty 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 may also be required as collateral.

### **CONTACT INFORMATION**

For additional information about the program or to start the loan application process, please contact TPRDC staff at (806) 331-6172 or visit [www.tprdc.com](http://www.tprdc.com).