

Mi-sbdc™
MICHIGAN
SMALL BUSINESS
& TECHNOLOGY
DEVELOPMENT CENTER™



MICHIGAN
WORKS!®

business
is
UP
The Job Force Board

Partnership to Enhance Services

- **Combined Business Services in one stop environment**
- **Michigan Works! and MI SBTDC service Region 1**
- **Intake Counselor Training – UP Wide**
- **MI SBTDC assist in lay off aversion- 21st Century initiative**
- **Synergy to better serve the U.P.**



Michigan Certified Development Corporation

SBA 504 Loan Program

MCDC:

- **Michigan Certified Development Corporation**
- **Private non profit corp.**
- **Certified by U.S. SBA to administer program**

MCDC Public Policy Goals

- **Business District revitalization**
- **Expansion of exports**
- **Expansion of minority/female/veteran owned enterprises**
- **Rural development**
- **Enhanced economic competition**

SBA 504 Loan Program

- **Economic Development Loan Program**
- **Provides small business with long term, fixed rate financing for major fixed assets**
- **Financed projects in over 50 of Michigan's 80 counties**

SBA 504 Designed to:

- **Assist healthy expanding businesses**
- **In operation for more than 2 years**
- **SBA may also be used to finance start ups**

Eligible Businesses

- For-profit corporations, partnerships or proprietorships that meet the following small business size standards:
 - Net worth < \$7.5 million,
and
 - Average net profit after tax < \$2.5 million for the past 2 years
 - Small business applicant must be the user of the fixed assets being financed

Ineligible Businesses

- **Passive income and real estate companies**
- **Financial institutions**
- **Non-profit businesses**

Eligible Purposes

- Purchase of land, building, machinery and equipment
- Land improvements
- Renovation or major addition to existing buildings
- Leasehold improvements

Ineligible Purposes

- Working capital
- Refinancing existing loans or debt consolidation
- Venture capital
- Rolling stock such as cars, trucks, buses or airplanes

Loan Structure

MCDC partners with commercial lender

- **MCDC finances 40%**
- **Lender finances 50%**
- **Borrower contributes 20%**
- **Additional equity required for start ups and special use properties**
- **Borrower has 2 separate loans – one with lender and one with MCDC SBA**

SBA Loan Terms

- 20 years for real estate
- 10 years for machinery, equipment and leasehold improvements

Interest rates

- SBA rate is fixed for entire life of loan
- Usual below rates of conventional lender
- Check out website for rates at:
www.michigancdc.org

Collateral

- Secured by lien on project assets
- SBA's lien subordinate to private lender
- SBA requires personal guarantees of the principals owning 20% or more of business

Fees- 3 types

- A one time processing fee equal to approximately $2\frac{3}{4}\%$ of the 504 loan for 20-year loans ($2\frac{5}{8}\%$ for 10-year loans) and legal fees of \$2,500 incurred by the MCDC. Built into actual loan amount and are financed over the term of the loan
- A one time participation fee equal to $\frac{1}{2}\%$ of the bank's senior loan is due at closing.
- An ongoing servicing and SBA fee on the declining loan balance is built into and included in the effective loan interest rates

Processing Time

- Processing time necessary to obtain a full SBA 504 loan commitment ranges from 2 to 3 weeks

Project Size

- Range between \$250,000 to \$10,000,000
- Maximum amount SBA may contribute toward single project or borrower is \$1,500,000
- May be increased to \$2,000,000 for projects achieving a Public Policy Goal and to \$4,000,000 for manufacturing firms

Job Creation

- Generally, the SBA requires a project to create or retain one new job for each \$50,000 of debenture or \$100,000 for manufacturing.
- Projects with a high community impact and low direct job impact may be considered when achieving one of several Public Policy Goals of the SBA.

Examples of Businesses:

- Auto Sales & Repair
- Day Care Centers
- Distributors
- Doctors offices
- Funeral Homes
- Gas Stations
- Grocery Stores Hotels/Motels
- Manufacturing
- Printing
- Nursing Homes/AFC
- Recreational Facilities
- Restaurants

Advantage for Small Business

- Lower down payment requirements
- Longer repayment terms
- Low, fixed interest rates

504 Lending is Growing. Here's why:

- **504 Loans reduce bank risk with a 50% loan-to-value**
- **504 effectively extends lender limits to serve large clients**
- **504 Loans are eligible for CRA credit**
- **504 Loans broaden the community tax base and create jobs**
- **504 Loans give borrowers the equivalent of corporate bond financing at a fixed rate**

Advantages for Lenders

- Lower risk with 50% LTV
- Have first lien position
- 504s are eligible for CRA credit
- No SBA paperwork to complete
- Extend lender limits to serve larger clients
- Ready secondary market for lender's first mortgage loan

For more info:

www.michigancdc.org