

CAPITAL ACCESS: Power of SBA

May 3, 2022 | Presented by:



**Community
Investment
Corporation™**

MARCUM
ACCOUNTANTS ▲ ADVISORS

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Speakers



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Who is CIC?

- CIC is a **C**ertified **D**evelopment **C**ompany (CDC) providing financing and practical guidance to small business entrepreneurs in CT, MA, and RI who have powerful ideas and need more power to grow them.
- CDCs are non-profit organizations, certified and regulated by the SBA, with a mission to stimulate economic development within their respective communities.
- Programs such as the SBA 504 Loan Program are **only** available through CDCs and are offered in partnership with a conventional lender.

SBA 504 Loan Program

- ▶ Program was established in 1958 when Congress enacted the Small Business Investment Act to provide investment vehicles for small businesses.
- ▶ An SBA 504 loan is a fixed rate, long term loan designed to promote business growth, job creation, and expand capital access. Other economic development goals of the program include:
 - ▶ Improving, diversifying, stabilizing the economy of a community
 - ▶ Women and veteran-owned businesses
 - ▶ Expansion of minority enterprise development
 - ▶ Rural development
 - ▶ Increasing productivity and competitiveness
 - ▶ Green energy

Business Eligibility

- For-profit & privately held
 - Must do business in the U.S
- Must meet economic development program goals
- Personal and/or business guarantees are required
- Must be considered “small” business
 - Net Worth <\$15MM
 - After Tax Income \$5MM (average of last 2 years)

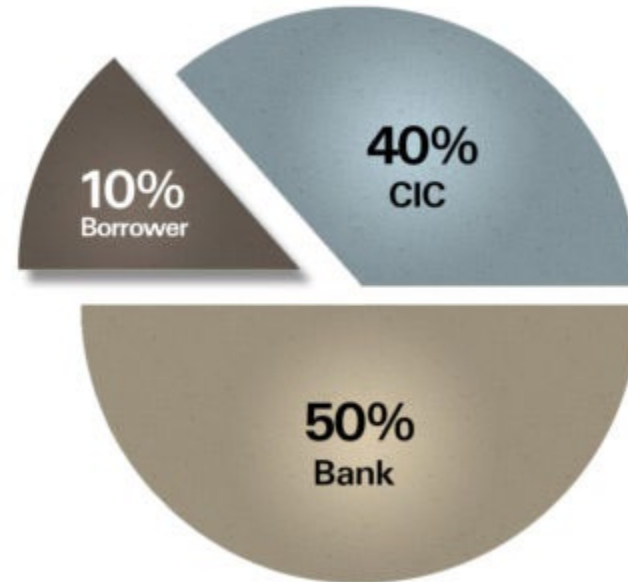
Eligible Use of Proceeds

- Owner-occupied real estate
 - Land, existing buildings, construction, renovation, and site improvements
- Machinery and Equipment
 - No rolling stock
 - Useful life of at least 10 yrs.
- Soft costs
 - Professional fees, bank attorney fee, interest reserve, and contingencies
- Refi existing debt
 - Includes refi of government guaranteed debt (504, 7a, USDA, etc.)

Typical 504 Project Structure

Financing is broken into three parts:

- ▶ 10%- Put down by the borrower.
- ▶ 40%- Provided by a Certified Development Company (CDC).
- ▶ 50%- Provided by a banking partner.



SBA's portion of the financing is fully amortizing, and the rate is fixed for the entire term. **Current April '22 Rates: 10 yr.= 3.82% 20 yr.= 4.62% 25 yr.= 4.68%**

Why Consider the 504 Program?

For Lenders:

- ✓ Mitigating collateral risk
- ✓ Managing industry concentrations
- ✓ Limiting collateral to project assets.
- ✓ Attracting new borrowers
- ✓ Broadening your lending reach to close more deals

For Borrowers:

- ✓ Own instead of lease
- ✓ Below- market fixed interest rates
- ✓ Low fees
- ✓ Terms- 10, 20, and 25 years
- ✓ Low down payment- as low as 10% in most cases

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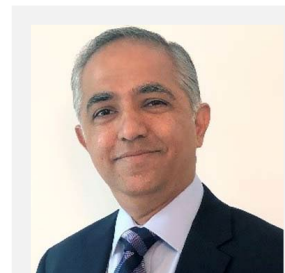
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Thank You!

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