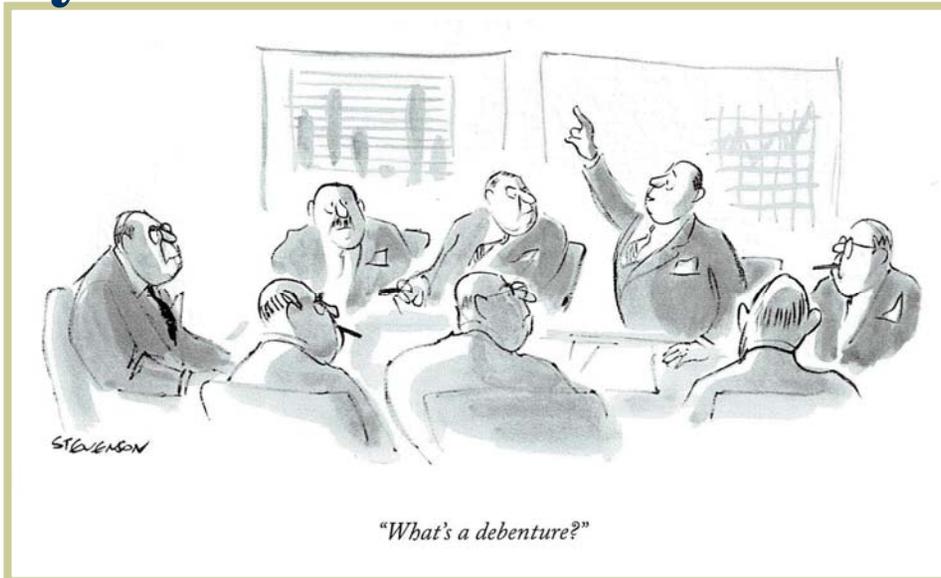




Somercor 504 INC.

July 18, 2008

# SBA 504 Briefing at Interagency Minority Depository Institutions National Conference



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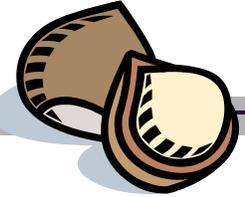
Somercor 504 INC.  
THE CORE OF SMALL BUSINESS  
REAL ESTATE FINANCING

# SomerCor 504

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- Not for Profit corporation
- Founded in 1992
- >650 loans in portfolio
- \$350,000,000 in current portfolio
- Created ~14,000 jobs
- 21 employees
- Offices in Chicago & Springfield
- Other programs administered: CRF & SBIF/TIF

# What is SBA 504?



- In a nutshell...
  - Subordinate, supplemental loan
  - Land, Building, Equipment projects
  - Primarily for owner-occupied real estate
  - Administered by not-for-profit “Certified Development Companies” (CDCs)
  - Funded by Gov’t-backed debenture sales

# What are the Benefits?



- What are the Benefits?
  - Low Downpayment
  - Low, Fixed Rate

## Conventional Bank:

\$800,000 Bank Loan

\$200,000 Equity

## SBA 504 Project:

\$500,000 Bank

\$400,000 SBA 504

**\$100,000 Equity**

*90% Financing*



SomerCor 504 INC.  
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# Structures



*Existing Business,  
Multi-use Building*

50% Bank

**40%** SomerCor

**10%** Downpayment

*New Business OR  
Single Use Building*

50% Bank

**35%** SomerCor

**15%** Downpayment

*Both New AND  
Single Use Building*

50% Bank

**30%** SomerCor

**20%** Downpayment

*SBA Requires additional injection if the project is a single-use facility or if the applicant business is considered new.*

# Financing Terms



- Bank's 50% 1st Mortgage Loan:
  - Negotiated between bank and borrower.
  - Bank Loan Minimum Term 10- or 7- years
  - Bank Minimum Amort 10- or 7- years
  - Bank makes interim loan to cover 504 until bond sale takes place

# Financing Terms



- 504 40% 2<sup>nd</sup> Mortgage Terms:
  - 20- or 10-year term/amortization
  - Rate typically 200 bp over 10-yr or 5-yr treas.
  - April, 2008 20-yr rate: ~6.22%

# Financing Terms



## ■ Fees

- \$2500 application fee
- 2.16% of 504 portion
- \$1500 closing costs
- .5% of Bank portion

Example:  
\$400,000 504 participation:  
\$411,000 gross loan

## ■ Prepayment Penalty

- Lasts first half of loan
- Penalty rate starts at about 5%

# Eligibility



- What's an eligible business?
  - typically under \$2.5 million profits
  - typically under 250 employees
  - For profit, “active”
- What's an eligible cost?
  - Land, building, equipment, some soft costs
- What's **not** eligible?
  - **Working capital, inventory, goodwill, bank fees, franchise fees, rolling stock**

# What is the process?



- Identify a client: Fixed rate? 90%?
- Contact CDC
  - Request estimate
  - Request a checklist
- Collect checklist items, submit to CDC
- Joint call with CDC loan officer
- Order Appraisal/Environmental
- Receive Authorizations
- Close Interim
- Receive Take-Out Disbursement

# What to look for:

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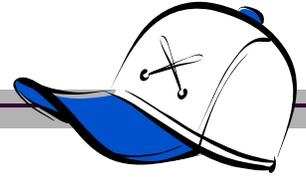


## Typical profile:

- Not a startup
- Multi-purpose property
- Applicant will occupy most of building
- Plans on being in the property long-term
- Purchase price plus construction is usually between \$350,000 and \$4 million

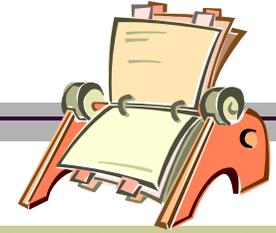
# SBA 504 Recap

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- Help a client/business get a 90% loan
- Help a client/business get complete protection from future rate risk
- Be the expert: Provide resources and solutions
- Head off the competition

# Contact Information



## Management

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**312/360-3312**

**Mickey Maslic**

**312/360-3315**

## Loan Officers

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**312/360-3317**

**Gary Whelpley**

**312/360-3313**

**Charlie White**

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**Ben DeVries**

**312/360-3311**

**Chuck Eickert**

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**Karen Lennon**

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**Gabe Beukinga**

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**Ben Johnson**

**312/360-3316**

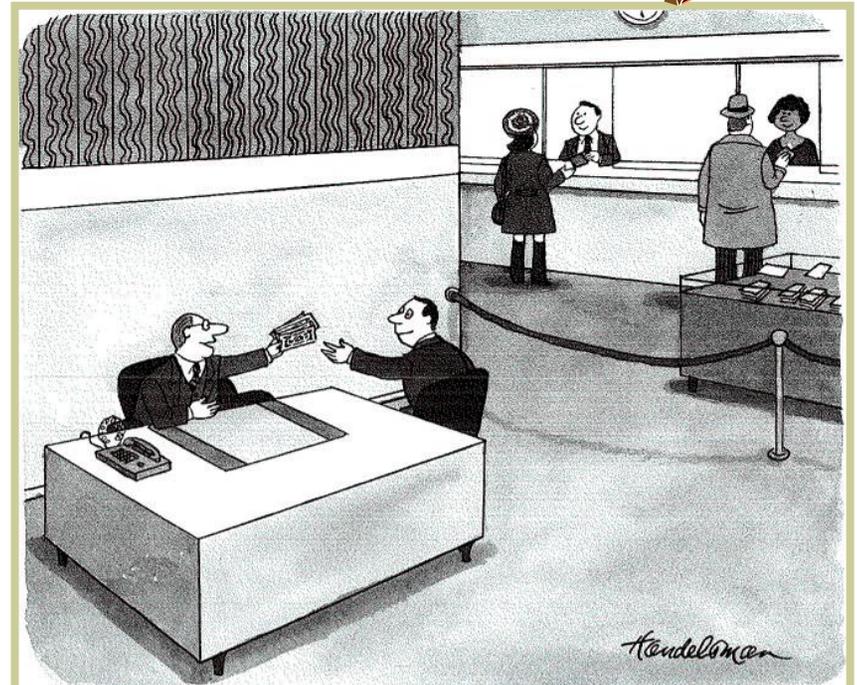
## Servicing

**Crystal Howard**

**312/360-3310**

**Terry Boston**

**312/360-3331**



*"And, hey, don't kill yourself trying to pay it back.  
You know our motto—'What the hell, it's only money.'"*