

Somercor 504 FAQs

What is a 504 Loan?

The 504 program is designed to promote economic development by helping healthy, growing businesses finance the acquisition of long-term fixed assets, such as land, buildings, machinery and equipment, or the building, modernizing, renovating or restoration of facilities.

Why the 504 loan program?

The 504 loan process is efficient and straightforward. The funds are 100% guaranteed by the U.S. Small Business Administration. The loan carries a low interest rate and is fixed for 25-, 20- or 10 years.

How much can I borrow under the Somercor 504 loan program?

The Somercor portion of the loan package is limited to 40 percent of the project cost, up to a total of \$5.5 Million. While there are no limits to the project size, typical projects range in size from \$300,000 to \$15 million.

What can 504 loan proceeds finance?

504 loans generally may be used for the following fixed-asset projects:

- Purchasing land and existing buildings, and making improvements such as grading, utilities, parking lots and landscaping
- Constructing, modernizing, renovating or converting existing facilities
- Refinancing eligible conventional debt
- Purchasing machinery and equipment that has a useful life of 10 years or more
- Furniture and fixtures directly related to the project
- Soft costs such as appraisals, environmental studies, title insurance fees, architect fees, engineering fees, etc.

What are some ineligible uses for 504 funds?

504 loans cannot be used for the following:

- Working capital
- Inventory
- Goodwill
- Business stock
- Vehicles
- Franchise fees
- Bank Fees

What are the typical finance terms?

25-, 20-year or 10-year fixed rate for real estate loans.

10-year fixed rate for equipment loans, with interest rates is based on the 10-year and 5-year treasuries respectively.

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What are the eligibility requirements for a business?

An eligible business must be a for-profit corporation, partnership or proprietorship with a net worth (including any affiliates) of \$15 million or less. Average net profits after taxes cannot exceed \$5 million per year for the previous two years.

Are there any bottom-line benefits for bank lenders?

There are a number of incentives for lenders to use Somercor's 504 loan program:

- Reduce risk by financing a smaller portion of the project while
- Maintaining a first-lien position on 100 percent of the assets being financed
- Retain commercial-account relationships while participating in the long-term financing
- Comply with the Community Reinvestment Act and extend legal lending limits
- Generate new business for years to come
- Broaden the community's tax base
- Stimulate the local economy through job creation and retention

Is the ACH debit required or optional?

Yes, it is required.

After an ACH reject, does Wells Fargo debit my account again for that payment?

No, Wells Fargo does not debit twice in any month; check has to be mailed or wired.

Will I receive monthly statements for my SBA account?

No, however you can refer to your amortization schedule for monthly billing information.

Is there a late fee and what is it?

Yes – the late fee is 5% of your monthly payment or \$100 whichever is greater.

Can the prepayment penalty be waived for any reason?

No – the prepayment penalty cannot be waived

Am I allowed to prepay my loan only twice a year?

No, you can prepay your loan any month with the proper notification.

Are partial paydowns allowed?

No – partial payments are not allowed.

Am I allowed to take equity out of my property?

Yes, but the equity loan would have to be in a third lien position.

Are the SBA 504 Loans Assumable?

Yes, with a fee of 1% of the loan balance.

SomerCor 504 FAQs

What documents do I need to provide SomerCor on an annual basis?

You will need to provide signed financial statements or tax returns. And insurance: hazard, life, business personal property, general liability & workers compensation (when required).

Are tax returns accepted in lieu of financial statements?

Yes – tax returns can be accepted in lieu of financial statements.

What options are available to help in times of financial hardship?

Deferment & payment plans are available to help in times of financial hardship.

How long does it take to receive an approval from the SBA?

The approval process takes approximately 15 business days.

What hours is someone available to answer my questions?

6:30am – 5:00pm

Ready to get started? Go to our [site](#) and start the inquiry process today!