



LUZERNE COUNTY'S SBA 504 LOAN PROGRAM

Luzerne County's SBA 504 Loan Program is offered by the Luzerne County Board of Commissioners, through a cooperative effort between the Office of Community Development, the Industrial Development Authority, the South Eastern Economic Development Company of PA, and the local lending community.

OBJECTIVE: The goal of the SBA 504 Loan Program is to stimulate private sector investment by creating job opportunities, increasing productivity, and increasing the local tax base. The program is offered by Luzerne County Commissioners through the Office of Community Development ("OCD") and the Industrial Development Authority ("Authority"). The OCD will facilitate application processing with the South Eastern Economic Development Company of PA.

The 504 loan program is a fixed asset financing program for expanding businesses. It is the first federal financing tool to recognize the importance of small businesses in the job creation/retention process through their physical plant expansion. The "504" is the Economic Development Program of the U.S. Small Business Administration.

ELIGIBILITY: In order to receive a loan under this program, the existing business must have less than 500 employees, its net worth must not exceed \$6 million and its average income after taxes for the preceding 2 years must not exceed \$2 million. The business must be a for-profit corporation, partnership or proprietorship with a "sound business" purpose. For every \$50,000 of SBA 504 funds borrowed, 1 full-time permanent job must be created or retained within 3 years.

ELIGIBLE ACTIVITIES: The proceeds from an SBA 504 loan may be used only for fixed asset financing: plant acquisition, construction, renovation, or expansion, including the acquisition of the land. Proceeds may also be used for land and site improvements (e.g. grading, streets, parking lots, utilities, or landscaping); the acquisition and installation of machinery and equipment; and the interest on interim financing. Additionally, project costs may include professional fees directly attributable and essential to the project (e.g. surveying, engineering, architectural or legal). The minimum total project cost is \$200,000.

PROGRAM FINANCING: For an existing company, a maximum of 40% of the project cost can be obtained through SBA 504 or \$1,500,000, whichever is less. In special cases the maximum can be up to \$2,000,000. For a manufacturing company the maximum loan amount is \$4,000,000. SBA 504 will fund 35% of a start-up company's eligible project cost or special use facility. Projects involving the purchase of an existing company by new management are considered a start-up operation by the SBA.

The SBA 504 interest rate is fixed at the time of the debenture sale. Terms are 20 years for real estate and 10 years for equipment, and are typically secured by a second lien.

Typically, 50% of the project costs come from private financial institutions. This is a conventional bank loan secured by a first lien on the assets. The bank provides interim financing to the applicant from the date of settlement until the SBA 504 debenture is sold.

A minimum of 10% comes from equity. In the case of a start-up company or a special use building, a minimum equity contribution of 15% is required. Additional equity participation will be required

All loans must be secured to ensure repayment. Personal guarantees from individuals with 20% or more ownership in the company is required. Other collateral generally includes: a mortgage on the land and the building being financed; liens on machinery, equipment and fixtures; and lease assignments.

Interim financing will be needed for all projects. Normally the first mortgage lender provides the needed capital at project start and is repaid from the SBA debenture proceeds.

Substantial penalties will result if loan is pre-paid prior to maturity.

PROGRAM MECHANICS: The applicant will submit a completed application to the County and all supporting documentation for processing. The specifics and timing of the application review process will be made available by the County's Loan Counselor.

FEES: The County's Loan Counselor will provide the applicant with detailed information regarding the required loan program fees prior to the submission of an application.

MBE/WBE: It is the policy of the Luzerne County Office of Community Development to encourage applications from minority and women owned businesses. All businesses receiving funding through the Luzerne County Office of Community Development are encouraged to utilize the services of minority and/or women owned businesses.

EQUAL EMPLOYMENT OPPORTUNITY: No business receiving funding through the Luzerne County Office of Community Development shall discriminate against any individual because of race, color, religion, sex, national origin, age, disability, or familial status.

FOR FURTHER INFORMATION CONTACT:

Luzerne County Office of Community Development
54 W Union St., Wilkes-Barre, PA 18711
Wilkes-Barre – (570) 824-7214
Hazleton – (570) 459-1814
Pittston – (570) 693-3800

SPONSORED BY THE LUZERNE COUNTY BOARD OF COMMISSIONERS:

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