ALTERNATIVE FINANCING: HOW THE SBA CAN HELP YOU WITH OOCRE PURCHASES.

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When acquiring a commercial property it may make sense for you to pay cash, have a seller take back note, utilize a 1031 exchange or go with a conventional bank loan, but you may want to consider some of the beneficial features of U.S. Small Business Administration options. The government is eager to support business owners in financing OOCRE and can achieve this through the SBA 504 loan participation and SBA 7A loan guarantee programs. The key benefits are longer terms, lower monthly payments, lower down payment, assumable mortgages and additional flexibility not found in conventional options.

LONGER TERMS - LOWER MONTHLY PAYMENTS. With SBA financing you can often get terms that are longer than conventional or private sources will offer. For example loans with fixed rates of 20 or even 25 years are available at below market rates. Conventional loans don't normally go out more than five or ten years and amortizations often stop at 20 years on OOCRE projects. By extending the amortization period 5 years as well as the term, you can lower your monthly payments and take advantage of low long term rates while they still exist.

LOWER DOWN PAYMENT - With either the 504 or the 7A loan programs, lenders are allowed to lend up to 90% Loan-To-Value and in some cases even up to 100% LTV. This means that you can afford that building sooner, can consider perhaps a larger building with room to grow, and all the while can retain cash for other needs with only 10% down!

ASSUMABLE MORTGAGES – 504 lenders (Certified Development Companies) make direct loans on behalf of the U.S. SBA in conjunction with financial institutions. These direct loans from CDCs are assumable by the new owner occupied buyers, provided they meet two requirements, they are considered a small business and they are financially viable to assume the debt. Translation, you can have an OOCRE on your books making it easier to sell your asset with fixed financing in place already at current long term rates.

FLEXIBILITY WITH APPRAISAL SHORTFALLS – with the U.S. SBAs 504 loan program there is an ability to cover appraisal shortfalls, so long as they are no more than 10% of the total project cost. For example if a $1 million acquisition only appraises at $900 thousand you don't have to renegotiate with the seller, or contribute more in permanent working capital. This can save a lot of time and hassle especially in a seller's market where comps are not keeping up with market realities.

FINANCING SOFT COSTS – both 7A and 504 loan programs allow for the inclusion of soft costs to include appraisals, environment due diligence, relocation costs, financing fees and even zoning and planning approvals to name a few. By financing these costs, you can keep more money in your pocket to run your business!

Financing other project costs over a longer period – In certain instances you can also finance equipment and other related costs such as renovations and fit up within the same loan request. Why does this matter? Because, you can stretch out

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the repayment of those costs over the longer term of the real estate loan instead of using a line-of-credit or other short term liability thereby increasing your monthly cash flow requirements.

In short the U.S. SBA loan programs provide a lot of flexibility to help you or your clients purchase OOCRE that can make it much easier to qualify for and much easier to afford.

For further questions or assistance please feel free to contact me at 201.251.5368. At Bank of America we have a dedicated specialist devoted solely to SBA financing. We guide clients through the process, which helps to clear up any confusion and shorten the time to closing.

For more information, contact:

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