



# NOTES OF INTEREST

WINTER 2012

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## 20 YEAR FIXED EFFECTIVE RATE

(servicing fees included)

January 2012

# 4.59%

10 YR FIXED RATE: 3.94%

## 877-BEST 504



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## THIS ISSUE

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## You Have Challenges. We Have Solutions.

*SBA 504 Loan Program*

### REGULATORY PRESSURES

The structure of the 504 reduces lenders' exposure, thereby managing commercial real estate concentration issues and opening up lending availability. Reach out to new borrowers or better serve existing clients.

### TIME CONSTRAINTS

As a busy lender, you have a lot on your plate. Growth Corp's experienced Loan Officers take care of all the paperwork required for the 504. And, you can trust us to get it right...over 95% of applications submitted to SBA by Growth Corp are approved.

### MAXIMIZING MIDDLE MARKET LENDING

Middle market lending is becoming the bread and butter for many banks. Therefore, let's dispel the rumor that the 504 is just for small businesses. With higher size limits and higher caps for 504 loans, the middle market segment is a perfect match for the 504.

### LOANS WITH HIGH LOAN-TO-VALUE RATIOS

The 504's temporary Refi Program offers an unprecedented opportunity for good borrowers facing loans with high loan-to-value ratios. Lenders get to provide a financing solution for good borrowers while borrowers simultaneously get payment stability with long-term fixed rate financing.

### RISK AND STABILITY

With Growth Corp's 504, lenders considerably reduce their lending exposure. And, keep in mind, a 50% loan-to-value on today's depressed values is safer than ever before.

### GETTING AN EDGE OVER COMPETITORS

With three different financing options to choose from, higher size limits, higher loan caps, ability to use the program multiple times, and low equity requirements, the 504 is a unique marketing tool for getting an edge over the competition and attracting new borrowers.

**DON'T MISS YOUR CHANCE...**  
THE 504 DEBT REFI PROGRAM EXPIRES  
SEPTEMBER 27, 2012



*We are always available to answer your questions and would be happy to come on-site and discuss the changes with your commercial lending team. Call us today!*

# 3 TYPES OF 504 FINANCING

## 1 FIXED ASSET FINANCING

Finance owner-occupied commercial real estate transactions (purchase, construction, expansion, and renovation), as well as heavy machinery and equipment purchases.

## 2 DEBT REFINANCE WITH EXPANSION

Refinance existing debt that was used to acquire or construct fixed assets so long as there is a new project involved. This is a permanent feature of the 504 Loan Program.

## 3 DEBT REFINANCING

Refinance owner-occupied commercial property or heavy machinery and equipment without the need for expansion. This is a temporary feature of the 504 Loan Program available until September 27, 2012.

### WORKING TOGETHER

Growth Corp is your partner in providing a financing solution for commercial clients.



# Market the 504 to Renters

## SAMPLE PROJECT

### PROJECT COSTS:

Building	=	\$2,000,000
Improvements	=	\$ 750,000
Soft Costs	=	\$ 50,000
<b>Total</b>	=	<b>\$2,800,000</b>

	CONVENTIONAL	504 LOAN
Bank Portion	\$2,240,000	\$1,400,000 (50%)
504 Portion	\$ 0	\$1,120,000 (40%)
Borrower Portion	\$ 560,000	\$ 280,000 (10%)
<b>Total</b>	<b>\$2,800,000</b>	<b>\$2,800,000</b>

The 504 allows the borrower to preserve **\$280,000** of their valuable working capital.

### BENEFITS TO CLIENTS

- Lower down payment will preserve working capital
- Long-term fixed rate on 504 portion reduces future rate risk
- Allows for other costs, such as moving expenses, not usually allowed in conventional financing
- Provides payment stability
- Allows for debt refinancing

## PROFESSIONAL DEVELOPMENT

Should you have any questions or need personalized lender training, give us a call. We would be happy to come on-site and respond to your questions or give a presentation to your commercial lending team. No group is too big or too small.

# NEW! 504 Debt Refinance Program

## PROJECT SCENARIOS

### POSITIVE EQUITY WITH CASH OUT AT 90% LTV:

Appraised Value	=	\$3,000,000
Existing Loan	=	\$2,100,000
Cash Out	=	\$ 600,000

### PROJECT STRUCTURE:

Bank 1st Mortgage	=	\$1,500,000 (50%)
SBA 504 2nd Mortgage	=	\$1,200,000 (40%)
Equity Contribution*	=	\$ 300,000 (10%)
<b>Total Project</b>	<b>=</b>	<b>\$3,000,000</b>

\*Borrower's equity contribution of \$300,000 is the existing equity (10% x \$3,000,000) in the property

**Bank Reduces LTV from 70% to 50%**

### POSITIVE EQUITY WITH NO CASH OUT:

Appraised Value	=	\$3,000,000
Existing Loan	=	\$2,100,000
Cash Out	=	\$ 0

### PROJECT STRUCTURE:

Bank 1st Mortgage	=	\$1,050,000 (35%)
SBA 504 2nd Mortgage	=	\$1,050,000 (35%)
Equity Contribution*	=	\$ 900,000 (30%)
<b>Total Project</b>	<b>=</b>	<b>\$3,000,000</b>

\*Borrower's equity contribution of \$900,000 is the existing equity (\$3,000,000 - \$2,100,000) in the property

**Bank Reduces LTV from 70% to 35%**

## QUICK NOTE - APPRAISALS AND ENVIRONMENTALS

A quick reminder... according to SBA's SOP 50 10 5(D), Environmental and Appraisal reports must now be addressed to **both** Growth Corp **AND** SBA.

SAVE THE  
DATE



Growth Corp's  
Annual Lender  
Update

MARCH  
8<sup>TH</sup>  
2012

## SBA LENDER FORUMS

Looking for more information about federal and state financing programs? Plan to attend one of the SBA Lender Forums. A member of Growth Corp's lending team will also be on hand to answer any questions you may have about the 504. For a complete schedule or for registration details, contact your local SBA office.



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**NOTES OF INTEREST  
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The SBA reported fiscal year 2011 produced the largest loan volume in the agency's history...totaling over \$30 billion.

Growth Corp's loan approvals for fiscal year 2011 proved higher as well, with 206 approvals totaling over \$137 million.

Expectations are high for 504 loan volume in 2012. Why? Because the program has evolved to provide several different ways for business owners to access capital...so, it's easier than ever to turn that "no" into a "yes".

## PROGRESS **◇ ADVANCE** ◇ EVOLVE

Wow! The lending community's response to the improved Refi Program has been huge! Don't miss out on this unprecedented opportunity. Need a recap of what's new?

- Bank is not required to be at 50% of FMV
- Cash Out Refinance now available
  - ✓ Draw up to 90% of appraised value for owner-occupied facilities
  - ✓ Extra equity can be used for the financing of eligible business expenses
- The program is easier to use

877-BEST 504

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