

Small Business Loans

The Appalachian Development Corporation (ADC) is a certified development corporation with the U.S. Small Business Administration (SBA) allowing for participation in the SBA's 504 loan program. The 504 loan program has, in a relatively short period of time, become the ADC's primary loan program in loan volume and growth.

The SBA 504 loan program reported a record low 20-year fixed interest rate option for July 2009. The July rate fell to 5.24%, the lowest since the program's inception more than 20 years ago. This record low interest rate for 504 loans, combined with the fee reductions included in the Stimulus Bill, makes the 504 Program an even stronger consideration for expansion projects than it was previously.

SBA 504 loans allow owners of small and mid-sized businesses to purchase, construct, or renovate commercial property with as little as 10 percent down, long terms (up to 20 years) and fixed interest rates. Equipment and other fixed assets can also be included in these loans, to the benefit of the borrower. The SBA also announced in June that it would ease the restrictions on using 504 loan funds for the purposes of refinancing, as long as it pertains to business expansion.

The 504 Program is designed to provide "gap financing," which means the program cannot serve as a sole source of financing on a project. It is restricted to financing no more than 40 percent of a project cost, with the remaining funding sources being borrower equity of at least 10 percent and a commercial bank loan of 50 percent. The key "first step" in obtaining 504 funding is having a commercial bank willing to participate. For further details, contact the staff of the Appalachian Development Corporation.