

SOP 50 10 5(I)

Subpart C

504 Net Proceeds	40%	360,000
Borrower Equity	10%	90,000
<b>Total Financing</b>	<b>100%</b>	<b>\$900,000</b>

In this example the interim loan would be \$810,000. The borrower cannot be reimbursed directly from the net debenture proceeds but the lender can refinance these with an interim loan at any time prior to the loan closing.

4. The interim lender must make a number of certifications at the time of the debenture closing. The certifications are stated in [13 CFR §120.891](#) and [120.892](#). If the interim lender cannot certify as required, then the debenture cannot be funded.

C. Borrower's Contribution [13 CFR §120.910, 120.911, 120.912 and 120.913](#)

1. The borrower must inject at least 10% of the Project cost.
2. New businesses must inject at least 15%.
3. Businesses with a Limited or Special Purpose Property also must inject 15%. For example, SBA considers the following as a Limited or Special Purpose Property:

- a) Amusement parks;
- b) Bowling alleys;
- c) Car wash properties;
- d) Cemeteries;
- e) Clubhouses;
- f) Cold storage facilities where more than 50% of total square footage is equipped for refrigeration;
- g) Dormitories;
- h) Farms, including dairy facilities;
- i) Funeral homes with crematoriums;
- j) Gas stations;
- k) Golf courses;
- l) Hospitals, surgery centers, urgent care centers and other health or medical facilities;
- m) Hotels, motels, and other lodging facilities;
- n) Marinas;
- o) Mines;
- p) Museums;
- q) Nursing homes, including assisted living facilities;
- r) Oil wells;
- s) Quarries, including gravel pits;
- t) Railroads;
- u) Sanitary landfills;
- v) Service centers (e.g., oil and lube, brake or transmission centers) with pits and in ground lifts;
- w) Sports arenas;

- x) Swimming pools;**
- y) Tennis clubs;**
- z) Theaters; and**
- aa) Wineries.**

4. If a Project finances both a New Business and a Limited or Special Purpose Property, the applicant is required to inject 20% of the project cost.
5. The additional borrower's contribution will reduce the SBA's portion of the financing.
6. The borrower's equity in land previously acquired may be counted toward the borrower's contribution. The borrower also may count toward its contribution, equity in land and buildings that will be part of the Project if they are adding a new building to the same property.
7. If the borrower's equity contribution is borrowed:
  - a) Any lien position on the Project Property must be subordinate to the 504 loan;
  - b) Only in situations where the borrowed equity contribution is collateralized by the Project Property, borrower may not pay the loan for its equity contribution at a faster rate than the 504 loan (13 CFR §120.912) unless it is approved in writing by the D/FA or designee; and
  - c) If the borrowed contribution is collateralized by assets other than the Project Property, the borrower must demonstrate repayment of the loan for its contribution from the cash flow of the business or other sources.

**D. Financing Involving Industrial Development Bonds or Industrial Revenue Bonds**

SBA may participate in Projects financed in part, directly or indirectly, by obligations exempt from state or local taxes (for example, real estate tax exemptions). However, in accordance with OMB Circular A-129, "Policies for Federal Credit Programs and Non-Tax Receivables" (January 2013), SBA may not participate in projects financed in part, directly or indirectly, by Federal tax-exempt obligations. For Projects that do not involve Federal tax-exempt obligations, industrial development bonds or industrial revenue bonds (IDBs/IRBs) may be a source of funding for Projects under the following conditions:

1. When the bond proceeds are used to fund the Third Party Loan:
  - a) If the bond issuer requires that it hold title to the Project Property, the TPL's and SBA's respective liens must be properly recorded before any transfer of the title to the Project Property to the bond issuer;
  - b) If the bond issuer takes title to the Project Property and leases the Project Property to the borrower, the bond issuer must assign the lease to the Third Party Lender and all payments under the lease must be paid to the Third Party Lender and serve as the payments under the loan;
  - c) If 1.a) and b) are met, then the Third Party Loan may remain in a senior lien position.
  - d) If the bond issuer does not require that it hold title to the Project Property but takes a lien on the Project Property, the Third Party Lender may still be in a senior lien position, but SBA's lien position must not be subordinate to the bond issuer's lien.
2. When the bond proceeds are used to fund the Borrower's Contribution: