

# Chesapeake Business Finance Corp.

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## Fact Sheet – Owner-Occupied Property

### Low Cash-Down SBA 504 Financing to Purchase Owner-Occupied Commercial Property

(Small and mid-sized businesses – Financing up to \$5-10 million)

#### A. Advantages to businesses of owning their property

1. Build Equity – Pay rent to the business owner not a landlord and create value for future refinancing or for owner's personal estate
2. Improvements – Make improvements in the property that benefit the owner of the business – not just the landlord at the end of the lease
3. Control – Have control over the property with no evictions nor interruptions
4. Stability – Avoid un-reasonable rent increases

#### B. The Problem

1. Down-payment – Lenders usually require at least 20% down to purchase property – which usually does not cover minor renovations and closing costs.
2. Extra collateral – Lenders (including SBA 7a lenders) usually require extra collateral – such as second deeds of trust on personal residences – in order to provide 90% financing.
3. Working capital – Most businesses need their cash for working capital – for more inventory, payroll, rent and receivables. Even if they have the cash, it may not be good business strategy to tie it up in illiquid commercial real estate.
4. Lenders – Commercial lenders often don't tell their business clients about the low-cash-down alternative of SBA 504 financing.

#### C. The Solution

1. Low cash down – Businesses can get 90% financing for purchase, renovations and soft costs – which often equals 95-100% financing of the purchase price.
2. Terms – Long-term loan maturities (20 years) with a blend of fixed rate and variable rate financing. Commercial lenders provide a variable (or fixed) rate first mortgage and SBA 504 provides a below-market, fixed-rate, second mortgage.
3. Collateral – SBA's collateral is limited to the property being financed – no extra collateral such as second deeds of trust on private homes or other commercial property.
4. Benefits to business – Business owners own their own commercial property with low-cash-down payments and monthly payments equal to or less than rent – with no mortgages on their homes.
5. Benefits to banks – A reasonable loan-to-value commercial mortgage, other conventional loans, and customer good will from offering an innovative financing plan to own their business property.