

# Chesapeake Business Finance Corp.

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## High ROI Investment Strategy

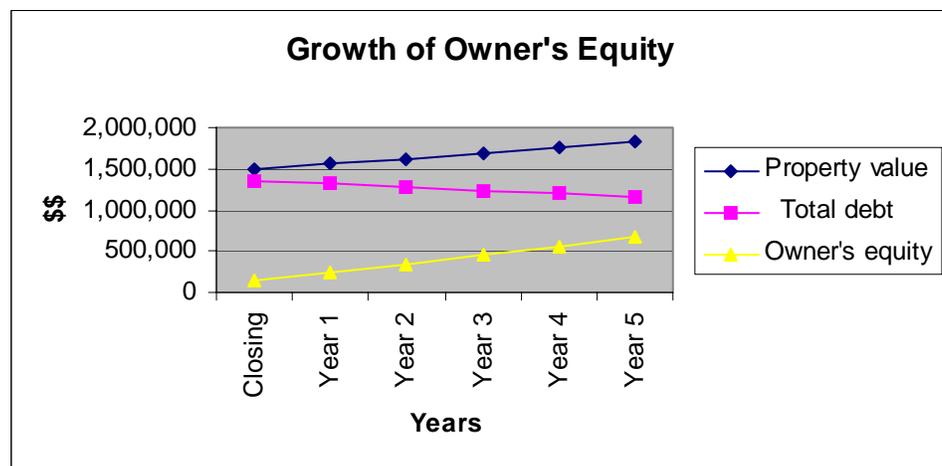
How business owners use SBA 504 loans to earn high Returns on Investment (ROI's) on owner-occupied commercial real estate.

Chesapeake's loan files demonstrate how business owners can use the SBA 504 loan program to earn high returns on investment (ROI's) from owner-occupied commercial real estate. Business owners increase their personal net worth by owning their business property and having their businesses' rent pay the mortgages.

For example, five years ago, a business obtained 90% financing on a \$1.5 million, owner-occupied, business property in suburban Washington, DC. A bank provided a 50% first mortgage for \$750,000, Chesapeake arranged a 40% SBA 504 second mortgage for \$600,000, and the owner invested 10% or \$150,000.

Uses:	Purchase property	\$1,200,000	Sources:	Bank 1 <sup>st</sup> mortgage	\$ 750,000
	Renovations	275,000		SBA 504 2 <sup>nd</sup> mtg	600,000
	Closing costs	<u>25,000</u>		Owner's investment – 10%	<u>150,000</u>
	Total	\$ 1,500,000		Total	\$ 1,500,000

Property values increased at an estimated 4% per year, and the Bank and SBA 504 mortgage payments were made on schedule. During the next five years, the value of the owner's equity investment increased from \$150,000 to \$670,000 – an annual pre-tax return over 30%/year. The owner's return would be even higher if property values increased at higher annual rates of 5% plus – which is reasonable for the DC Metro area.



How does this work?

- (1) Purchase good commercial property in a growing area, and
- (2) Obtain 90% financing with a bank first mortgage and a SBA 504 subordinated mortgage.
- (3) Make a 10% equity investment.
- (4) Pay rent for loan payments

SBA 504 subordinated loans are provided by Chesapeake Business Finance Corp. and interest rates currently are approximately 6.2% and are fixed for 20 years. For questions, call John Sower at 202-342-2973 or Michael Schwartz at 301-668-1844. They are very experienced, and they provide senior-level, attentive, A-Z service in obtaining SBA 504 loans in amounts up to \$1.5 - \$2 million for the \$1 to \$10 million expansion projects of small and mid-sized businesses. SBA 504 financing can be used for the purchase of land, buildings and equipment – plus renovations or construction and related soft costs.