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WELCOME

Welcome to the quarterly edition of EconNews. As the thermometer reminds us daily that we are in the midst of winter, we at the EDC are preparing for Spring and the upcoming tax season. A great time to assess the financial health of your business!

The EDC helps our business community in a variety of ways. One way is by offering several programs designed to meet the financial needs of a particular project. Often it is a combination of programs designed to maximum the local impact. This edition of the EconNews will focus on the SBA 504 Loan Program. We will provide an overview of the program and attempt to eliminate the myths.

In this edition's Spotlight we're featuring Warm Hearts Childcare Center. Their operation was made possible through an SBA 504 Loan.

The articles in this newsletter were written by staff of the EDC. Enjoy this edition of the EconNews.

INTRODUCTION

SBA 504 Loan Program.

As with any project, the first question is where to start? Which financing program is right for me? How much lead time is needed before I can receive the funds? Who do I contact for answers?

The process can be overwhelming. There are numerous options and not every financing program is a good fit for every project. The staff of the EDC is here to help you determine the best financing option for your project.

The SBA 504 Loan Program is one option. In the right situation, applying for an SBA 504 Loan can be a smart financial decision for a small business. By covering up to 90% of the total cost of the project, a 504 Loan allows a small business to make substantial purchases that wouldn't be possible otherwise. In most cases, a lender will cover 50 percent, the SBA will cover 40 percent, and the business will be responsible for the remaining 10 percent of the total cost.

Loans under this program are long-term, fixed rate loans, granted to a small business with the funds being used for fixed assets such as the purchase of an existing building; the purchase of equipment or machinery; or for refinancing of debt in conjunction with an expansion of the business through new or renovated facilities or equipment. Loan amounts cannot exceed \$5.5 million, and the repayment can be either 10, 20 or 25 years.

Fix interest rates are a major benefit for borrowers when the repayment period spans 10, 20, or 25 years. A fixed rate means that payments will be the same for the length of the loan period, making it easier to budget for the payments each month. Most small businesses can qualify for an SBA loan, since a portion of the loan is guaranteed by the Small Business Administration makes the remaining portion of the loan safer for lenders.

SBA 504 Loan >>>

To qualify for an SBA 504 Loan, a business needs to meet the following requirements:

For-profit, privately held

Do business in the United States

Have a net worth of less than \$15 Million

Have an average income less than \$5 Million, after taxes, for the past two years.

Demonstrate the ability to repay loan

What are the advantages of an SBA 504 Loan?

BORROWER

- Low Down Payment preserves working capital
- Fixed, long-term interest rate helps manage cash flow
- Collateral usually limited to assets being financed
- In credit crunch - getting a loan at all

Myths

- Too much paperwork
- Takes too much time
- Costs too much
- Prepayment penalties too high
- Too many rules and too much red tape

Facts

1. Same paperwork as conventional commercial real estate loan
2. Loan approval generally in less than 30 days
3. Cost are about the same as conventional loan with most SBA fees financed over loan term
4. Prepayment penalties start at less than 3% and 504 Loan can be assumed with no prepayment penalty
5. No SBA intrusion into business operations

Mission Statement

It is the mission of the EDC to facilitate, lead and promote organized economic growth and improve the quality of life for the citizens of Jefferson County. To promote, protect and create full-time employment opportunities through innovation and conventional programs in our community



In the Spotlight

Warm Hearts Childcare Center

Warm Hearts Day Care Center was established in December of 1990 by mother and daughter team Linda Pope and Vicky Casnar. At one time, there were two daycare centers. One in Festus, MO and one in House Springs, MO. The Festus center was closed in September of 1996.

In June 1997, they became a limited liability company now known as Warm Hearts Childcare Center. In 1997, Owners Linda Pope and Vicky Casnar came to our offices in hopes of applying for an SBA loan that would allow them to purchase and renovate a building for its daycare activities.



Without the SBA loan, Linda and Vicky faced the prospect of losing their business without a new building, and a loss of 8 jobs .

In business over 28 years and a true small business success story. Both Linda and Vicky are dedicated to the community and the many children that have been in their care.

Warm Hearts Chilcare Center is a real success story and the EDC/SBA team would like to congratulate Linda and Vicky on their success and wish them many more years to come.

“The SBA 504 Loan is the best way to go to start your business. Would do it again.”

Linda Pope/Vicky Casnar
Warm Hearts, LLC- House Springs, MO.

Contact us at 636-797-5336

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Hillsboro, Missouri 63050



SBA Debenture Rate >>>

20 Year Debenture

December 2018*

Full Term 4.926%

*Rates change monthly. Contact our Loan Officer for more information.