

## **SEDC, Inc.**

SEDC, Inc. is an economic development corporation founded by the members of the Southeastern Economic Development Commission. SEDC, Inc. is a separate 501 (C) 3 non-profit corporation directed by an 11-member Board of Directors. The Corporation is organized for the purpose of furthering economic and community development in southeastern North Carolina, promoting and assisting with growth and development of business concerns, particularly small businesses. The benefits of the



**Bridging the Gap.**

lending activities of the Corporation can be measured by: increased employment and payroll, business volume, increased tax base and similar factors. To achieve these goals, the Corporation provides the following lending resources to region small businesses and entrepreneurs:

**COMMUNITY REINVESTMENT FUND  
and  
SMALL BUSINESS ADMINISTRATION (SBA)  
504 Loan Program**

## **Serving Southeastern North Carolina**



### **Contact Us:**

**Southeastern Economic  
Development Commission  
SEDC, Inc.  
103-A West Broad Street—P O Box 100  
Elizabethtown, North Carolina 28337**

**Phone: 910-862-6987  
Fax: 910-862-6986  
sedc@ec.rr.com**

**Leon Martin  
Manager of Business Development  
leonmartin@ec.rr.com**

**Pamela Bostic  
Loan Assistant  
pamelabostic@ec.rr.com**

**Community  
Reinvestment Fund Loan  
Program  
And  
Small Business  
Administration (SBA)  
504 Loan Program**

**SEDC, Inc.**  
**Southeastern Economic  
Development Commission**



**LOAN PROGRAMS**

*Small Business Administration (SBA)*  
504

The 504 Program provides loans to qualified businesses for long-term, fixed rate, subordinate financing for acquisition and/or renovation of fixed assets. These fixed assets can include land, building and equipment up to \$1,300,000 or 40 percent of the project, provided there is adequate job creation or retention. Virtually all types of for-profit businesses are eligible for this program.

**Borrower Characteristics**

Businesses that receive 504 loan financing are:

- Small-net worth under \$7 million, net profit after taxes under \$2.5 million, or meet other SBA size requirements
- Organized as for-profit
- All types of businesses are eligible - retail, service, wholesale, manufacturing, etc.
- Project must create one (1) job for each \$50,000 of SBA funding. Jobs are to be created within two (2) years of receiving loan proceeds. Meeting a public policy goal, such as minority-owned, rural development, etc., can be an exception for creating jobs.
- There is no application fee to SEDC, Inc. Loan origination fees are generally around 3% of the SBA loan amount, and can be financed in the transaction.

SBA 504 loans are distinguished from other SBA programs in these ways:

- The typical financing structure for existing businesses consists of a 50% first mortgage by a financial institution, 40% through the SBA 504 program with a second lien position, and the applicant has to contribute 10%. For start-up businesses the maximum amount of 504 funding is 35% of the project.
- Lower down payment, allows business to conserve valuable operating capital by injecting as little as 10% of the total project costs.
- Fixed interest rate for life of the loan

- Project costs which can be financed include: land, building (or construction), renovations, machinery and equipment, soft costs (appraisal, environmental, architect, etc.)
- Loan terms are typically longer than bank terms on similar collateral. Real estate loans are up to 20 years, machinery and equipment loans are up to 10 years.
- 504 program loans encourage lending institutions to make loans in first lien position at reasonable rates and terms. This allows lending institutions to help growing businesses with their borrowing needs, and helps them meet CRA lending requirements.

*Community Reinvestment Fund (CRF)*

As a lending partner with the CRF, SEDC, Inc. is able to offer long term, fixed rate financing for existing businesses whose projects will result in the creation of permanent full-time jobs, and leverage private sector investment. These loans are available to small to medium size businesses in the eleven member counties of the Southeastern Economic Development Commission made up of Bladen, Brunswick, Columbus, Cumberland, Harnett, Hoke, New Hanover, Pender, Robeson, Sampson and Scotland Counties.

These funds are designed to provide “gap financing” by filling the gap between what a financial institution will lend on a project and what the business can provide in equity. These funds will generally assume a subordinate position to the financial institution, and should complement their lending activities. The funds can be used to finance fixed assets such as land, building, machinery, equipment, real property improvements, etc. Working capital loans are also available.

This program uses funding from the Community Reinvestment Fund to make these loans. Other than a letter from the primary lending institution acknowledging the program participation, no other paperwork is required of the primary lender. Participation by SEDC, Inc. limits the risk of the

primary lender, and may result in a lower “blended” interest rate for the borrower. The extended terms offered by the CRF funds can improve the borrower’s cash flow, improving the credit risk.

**Program Guidelines**

- The loan must leverage private sector investment, either loans or equity
- The business/borrower must contribute at least 10% of the project cost in equity
- Generally, loans will not exceed \$1,500,000 for real estate; \$1,000,000 for equipment, nor be less than \$200,000 for either.
- The maximum term for fixed assets is 15 years, -5 years for working capital
- Interest rates are normally fixed
- There is a loan origination fee payable at closing, and borrower pays all closing costs
- The borrower must show that their business will generate sufficient cash flow to repay the debt requested.
- Each loan must be adequately secured with business or personal assets.
- Personal guaranties will be required of all principals owning 20% or more of the business
- The business and principals must be credit worthy and meet underwriting guidelines.
- Loans can be made to non-profits.
- Cash flow coverage as low as 1.20:1.0.

**FOR MORE INFORMATION:**

**Southeastern Economic Development Commission  
SEDC, Inc.  
103-A West Broad Street—P O Box 100  
Elizabethtown, North Carolina 28337**

**Phone: 910-862-6987  
Fax: 910-862-6986**

**Leon Martin, Manager of Business Development  
leonmartin@ec.rr.com**

**Pamela Bostic, Loan Assistant  
pamelabostic@ec.rr.com**