

# Helping Business Take the Next Step

## Montana Community Finance Corporation (MCFC)

PO Box 916  
Helena, MT 59624

Toll free  
866.443.3261  
or  
406.443.3261

Fax  
406.449.5678

### MCFC Staff

**Linda Kindrick,**  
Executive Director  
linda@mtcommunityfinance.org

**Jo Ann Jones,**  
Portfolio Servicing Manager /  
Loan Underwriter  
joann@mtcommunityfinance.org

**Sherry O'Donnell,**  
Loan Closing Officer  
sherry@mtcommunityfinance.org

**Lesley Gallagher-Tolon,**  
Servicing / Loan Closing Officer  
lesley@mtcommunityfinance.org

## Equipment Loans

Did you know the SBA 504 loan program is not just for real estate? The SBA 504 loan program can be used to finance machinery or equipment. The machinery or equipment must be a fixed asset with a useful life of at least 10 years and acquired by a small business for use in its operations.

The financing structure is similar to the real estate structure, with 50% from a financial institution, 40% from MCFC/SBA and only 10% contribution from the small business. Not only is the small business contribution 10% but if they are upgrading their machinery or equipment, they may use the "trade in" allowance given on the old machinery or equipment as part of their contribution.

The financing can include all costs associated with the purchase, transportation, dismantling or installation of the machinery or equipment. There is a minimum project cost of \$125M but there is no upper limit.

The 504 loan will be a fixed interest rate for 10 years and the financial institution rate must be reasonable with a term for at least 7 years.

Do you know a small business that should take advantage of the low contribution and rates for a machinery or equipment loan? Give us a call.

### ONLY 10% BORROWER EQUITY

With the SBA 504 loan program up to 90% financing is available for existing businesses, that means just 10% equity needs to come from the small business. The equity requirement increases to 15% if it is a new business or a special purpose building, or 20% if both apply.

The financing comes from a partnership with a financial institution, MCFC and the small business. The funding is typically 50% from the financial institution, 40% from MCFC and 10% from the small business. For example on a \$1,000,000 project the financing structure would be:

Source	Loan Amount	% of Project
Financial Institution	\$ 500,000	50%
MCFC	\$ 400,000+fees	40%
Small Business	<u>\$ 100,000</u>	<u>10%</u>
Totals	\$1,000,000	100%

The minimum project size must be \$125M but there is no upper limit and the MCFC's portion can range from \$50M to \$5.5MM. Let us determine the amount we can finance for you.

### FAQs

#### QUESTION:

Does the 504 loan have a balloon payment?

#### ANSWER:

No, we only offer fully amortized loans over 10 or 20 years.

### SBA 504 Overall Effective Interest Rates

	20-year	10-year
Jan	4.84%	n/a
Feb	4.71%	n/a

Check out our website at:

**[www.mtcommunityfinance.org](http://www.mtcommunityfinance.org)**