



# **SBA 504 & OHIO 166 LOAN PROGRAMS**

Most small businesses have something standing in the way of growth.

We help them secure the financing they need to overcome it.

## WHO IS OSDC?

- Certified Development Company (CDC) founded in 1982
- Originally part of Ohio Department of Development
- Since 2000, a stand alone, self-sufficient not-for-profit corporation
- Provide financing to Ohio small businesses by acting as an agent for public financing programs
- Provide SBA 504 and Ohio 166 loans



# WHY LENDERS WORK WITH OSDC

## MORE OPTIONS FOR BORROWERS

Longer terms, fixed rates, smaller down payments.

## LESS RISK FOR THE LENDER

OSDC takes a subordinate lien up to 40% of the project cost, up to \$5.5 million.

## WE MAKE IT EASY

We do all the work.



## LENDERS SHOULD CALL US WHEN...

- Business has a short track record.
- Business is in a high-risk industry that discourages conventional lending.
- Special purpose real estate.
- Loan request exceeds lending limits.
- Best offer; may lose deal to another bank if not presenting SBA 504 or Ohio 166 loans as an option.



# WHY SMALL BUSINESSES WORK WITH OSDC

## GET THE BANK TO “YES”

- OSDC subordinate financing gives the bank a strong LTV position.

## LOWER DOWN PAYMENTS

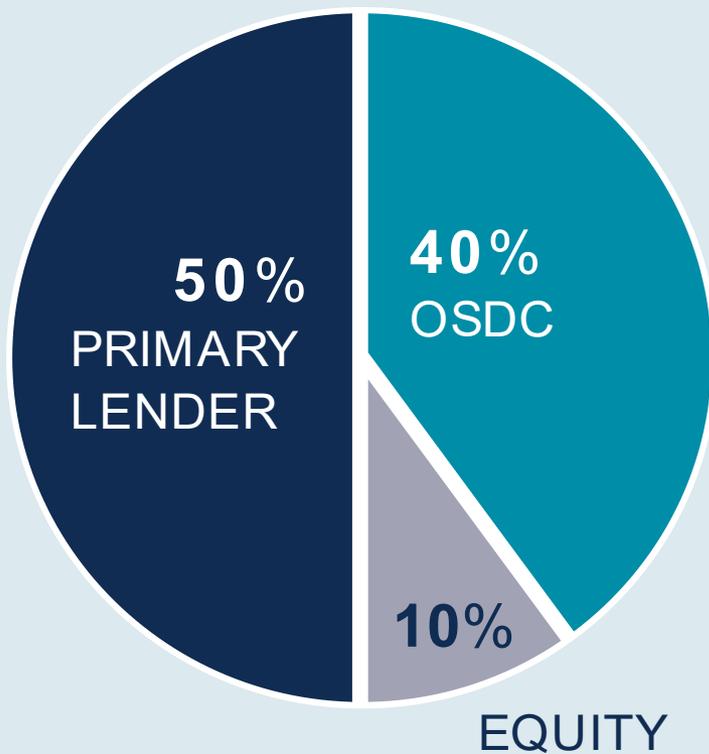
- Limited cash available for down payment.
- Desire to conserve cash for working capital and growth.

## LOW, FIXED INTEREST RATES

- Low 504/166 interest rates make the overall financing package more attractive.



# OSDC LOAN PROJECT STRUCTURE



- Provided in conjunction with a bank or primary lender
- Typical structure is 50/40/10
- OSDC Loan takes subordinate 2nd lien behind primary lender



# OSDC'S LOAN PROCESS

1. Application (Lender and OSDC)
2. OSDC Board Approval
3. SBA / State of Ohio Approval
4. Bank Closing – Permanent loan and Interim Loan
5. 504 / 166 Closing
6. 504 / 166 Funding (pays off bank interim loan)





# SBA 504 LOAN PROGRAM



# SBA 504 LOAN HIGHLIGHTS

- Loans up to \$5 million (\$5.5 million for manufacturing)
- Energy Public Policy Program allows funding up to \$5.5 million, beyond the traditional \$5 million cap
- Terms of 10, 20, or 25 years
- Low, fixed rate for entire term
- Funds can only be used for real estate, equipment and directly related project costs
- Debt refinance is eligible
- Prepayment penalty applies



# SBA 504 LOAN ELIGIBILITY REQUIREMENTS

- For-profit, operating businesses.
- Average net income of \$6.5 million or less and tangible net worth of \$20 million or less.
- For real estate projects, borrower's business must occupy 51% of the building (60% for new construction).



# SBA 504 LOAN USES OF FUNDS

## PROJECT COSTS

- Land / land improvements
- Existing building(s)
- New construction
- Machinery and equipment
  - All costs associated
  - 10+ year useful life
- Furniture and fixtures
- Debt refinance

## SOFT COSTS

- Professional fees (directly attributable and essential to the Project)
- Interim financing interest and construction interest
- Appropriately categorized loan fees



# SBA 504 FUNDING PROCESS & RATES

- Bank finances 40% of the project on a short term, interest only bridge loan.
- Once project is complete, OSDC closes the 504 loan and submits loan for funding in next calendar month.
- The 504 loan is funded through the sale of government guaranteed debentures/bonds, with the rate set in the month that the loan funds.
- Once the 504 loan funds, the bridge loan is paid off and the 504 loan is in place as a permanent 2<sup>nd</sup> mortgage loan.
- 25 year loans funded in August 2025 had a rate of 6.24%. See OSDC's website for a complete rate history.



# SBA 504 REFINANCE *WITH* EXPANSION

- Existing real estate and equipment debt can be refinanced as part of a new SBA 504 project.
- Must be current on existing debt for previous 12 months.
- Leverage existing equity: Opportunity for zero cash down on expansion project with existing equity
- Refinancing must provide "substantial benefit" to borrower.
  - Calculation includes prepayment penalties, financed fees, other financing costs
  - Loans with balloon payments automatically meet test.



# SBA 504 REFINANCE *WITHOUT* EXPANSION

- Refinance existing real estate and equipment debt with no new investment.
  - 75% of original proceeds must have been used for SBA 504 eligible expenses.
- Existing government debt (i.e. SBA 7a) can now be refinanced with an SBA 504 loan.
  - Existing 7a Lender will be notified by OSDC to advise of refinance
- Ability to take cash out as Eligible Business Expenses (EBE)- up to 90% of the appraised value of the asset(s) being refinanced.
  - EBE must be used for business operating expenses that have accrued at time of application or will become due within 18 months





# OHIO 166 LOAN PROGRAM



# OHIO 166 LOAN HIGHLIGHTS

- Loans up to **\$1 million**
- Terms up to **20 years** on real estate or 10 years on M&E
- Ohio 166 will take a **subordinate 2nd lien** position
- Low, fixed rate for entire term
- **Fees: 1.50% of Ohio 166 loan; No fees on Bank loan**
- Funds can only be used for real estate and equipment
- No prepayment penalty



# OHIO 166 LOAN ELIGIBILITY REQUIREMENTS

- Typically must be a for-profit business
- Owner-occupied commercial real estate  
(60% new construction; 51% existing building)
- Job creation/retention requirement
- Retail businesses are not eligible



# OHIO 166 LOAN USES OF FUNDS

## PROJECT COSTS

- Land / land improvements
- Existing building(s)
- New construction
- Machinery and equipment
  - All costs associated
  - 5+ year useful life

## SOFT COSTS

- Professional fees (directly attributable and essential to the Project)



# SBA 504-EQUIPMENT

## Geothermal and Well Drilling Services

A third-generation business recently expanded their services to include geothermal drilling and sought SBA 504 financing to purchase an essential piece of heavy-duty drilling equipment. This business employed 12 full-time employees at the time of application, and this project helped create 2 additional jobs.

### USES OF FUNDS

Purchase Equipment	\$ 1,361,625
Professional Fees	\$ 6,001

**TOTAL** **\$ 1,367,626**

### SOURCES OF FUNDS

Bank	\$ 683,813
OSDC/SBA 504	\$ 547,050
Equity Injection	\$ 136,763

**TOTAL** **\$ 1,367,626**



# SBA 504- NEW CONSTRUCTION

## Welding & Fabrication business

A small manufacturer specializing in steel framing sought SBA 504 financing to build a 21,000 sf addition to an existing building and add two pieces of equipment. This project helped solve a production and capacity issue and helped retain 8 jobs.

### USES OF FUNDS

Construct Building	\$ 1,036,000
Equipment	\$ 520,000
<b>TOTAL</b>	<b>\$1,556,000</b>

### SOURCES OF FUNDS

Bank	\$ 778,000
OSDC/SBA 504	\$ 622,400
Equity Injection	\$ 155,600
<b>TOTAL</b>	<b>\$1,556,000</b>



# SBA 504 REFINANCE WITHOUT EXPANSION

## Communications Equipment Installer

A long-established installation and service provider of communications equipment needed help to refinance out of a high cost, variable rate SBA 7a loan into a lower cost, fixed rate 504 structure, while seeking cash out for working capital. The cash out was used for labor and inventory purchases. At the time of application there were 50 jobs, and this project helped create 5 additional jobs.

### USES OF FUNDS

Refinance Debt	\$ 3,821,823
Cash Out	\$ 978,177
Existing Property Equity	\$ 848,000

**TOTAL** **\$ 5,648,000**

### SOURCES OF FUNDS

Bank	\$ 2,825,000
OSDC/SBA 504	\$ 1,975,000
Existing Property Equity	\$ 848,000

**TOTAL** **\$ 5,648,000**



# CONTACT INFORMATION

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