

Kiva Microfinance

"Loans that Change Lives." Make a Difference and Lend Today!

www.kiva.org

Public Service Ads by Google



May 13, 2010

Small Business Loans, Housing Offer Opportunities

By Alyson Grala

HASBROUCK HEIGHTS, NJ-Today's real estate market offers a host of challenges that the US has not experienced for decades, but it also offers some opportunities, which is exactly what 30-year real estate veteran William Procida and James Kocsi, director of the US Small Business Administration's New Jersey district office, discussed here on Tuesday as part of the Commerce and Industry Association of New Jersey's Real Property Roundtable.

"We really like what the government is doing for small businesses right now," said Kocsi, who outlined the SBA loan programs for attendees, which included everyone from accountants and appraisers to insurers and lenders. In fact, there are more than 10 loan programs that small businesses can take advantage of, including the SBA's primarily loan program, the Loan Guaranty, which carries a maximum amount of \$2 million, with a 90% guaranty; the total SBA guaranty cannot exceed \$1.5 million. This loan is predominately used for renovation or construction of a new facility, says Kocsi, as well as land or building purchases, equipment, fixtures, leasehold improvements, working capital, refinancing debt and inventory acquisition.

Kocsi also highlighted the 504 Loan Program, also known as the Certified Development Company Program, which provides long-term, fixed-rate financing to help expanding small businesses grow. These loans are for acquiring long-term fixed assets, such as land, buildings, machinery and equipment, or for building, modernizing, renovating or restoring facilities. "Generally, CDCs are nonprofit corporations set up to contribute economic development in their local communities," said Kocsi. He added that a 504 project includes a third-party loan secured with a senior lien on the financed asset from a private-sector lender covering 50% of the project cost' a 540 loan secured with a junior lien made by a CDC funded by a 100% SBA guaranteed debenture) covering 40% of the project cost; and a contribution of at least 10% equity from the borrower.

"Growing businesses are often unable to qualify for traditional financing because of the difficult of coming up with a down payment of 30% or more," said Kocsi. "When a conventional loan is not possible, a 540 may be the answer." The SBA's other loans range from a \$35,000 MicroLoan-made through a nonprofit lending organization-to a \$5-million Surety Bond Guarantee Program, which bumps up to \$10 million if all of th contracts are federal ones.

William Procida Inc.'s president then took the stage to discuss market opportunities. "There are big opportunities in one- to four-family housing right now," he told the audience. "The reason is volume. In the past six months alone, there were 80,000 foreclosures but only 8,000 sold at auction." Procida likened the housing market to a funnel with a stone in the bottom, which will eventually shake loose. He predicts that by fourth quarter 2010 there will be a deluge of one- to four-family housing opportunities nationally. "These are assets that are in foreclosure or REO, so they are typically beat up and non-habitable, creating a great opportunity for the industry to morph into property owners."

The second area of opportunity, according to Procida, is "the tremendous

amount of half built jobs. Banks are not pushing on foreclosures and developers are underwater," he continued. "Before we see development again, we need to finish what we started." This could mean a focus on smaller infill projects around mega developments.



Copyright © 2010 Incisive Media US Properties, LLC. All rights reserved. Further duplication without permission is prohibited. Permission granted for up to 5 copies. All rights reserved.

You may forward this article or get additional permissions by typing [http://license.icopyright.net/3.8454?](http://license.icopyright.net/3.8454?icx_id=/news/1662_1662/newjersey/184993-1.html)

[icx_id=/news/1662_1662/newjersey/184993-1.html](http://license.icopyright.net/3.8454?icx_id=/news/1662_1662/newjersey/184993-1.html) into any web browser. ALM's Real Estate Media Group and GlobeSt.com logos are registered trademarks of ALM's Real Estate Media Group . The iCopyright logo is a registered trademark of iCopyright, Inc.