

# Business News Line

## Texas Certified Development Co., Inc.

SUMMER 2002

### SBA ADMINISTRATOR CALLS FOR GREATER USE OF 504 LOAN PROGRAM



SBA Administrator Hector Barreto called for greater use of the 504 Program in the fiscal 2003 SBA budget. SBA estimates that \$2 billion in real estate loans that are currently financed under 7(a) could be financed under the 504 Program. The following are quotes from Mr. Barreto's recent congressional testimony: "7(a) and 504 in some ways compete with each other instead of complementing one another. We have determined that 504 is not reaching its full potential. For example, over 40 percent of loans provided under 7(a) are large real estate loans, many of which 504 could easily accommodate."

#### TCDC PRESIDENT, ERNEST PERALES said:

"The SBA Administrator's analysis concurs with TCDC's current outlook for the 504 program in Texas. SBA data shows that 504 loans as a percentage of all SBA loans in Texas comprise 40% less of the volume than the nationwide average. Furthermore, our internal study of the highest volume SBA markets showed that the potential is here to triple the 504 loan volume statewide. An excellent opportunity exists for both TCDC and lenders who wish to grow their loan volume in the Texas market".

### SBA Increase 504 Size Standards

*In February 2002, SBA increased the size standards of businesses allowed to participate in the 504 program, as summarized in the following chart.*

	<u>Current Standard</u>	<u>New Standard</u>
Net Worth	\$6 Million	\$7 Million
Net Income	\$2 Million	\$2.5 Million

*By taking this action, SBA has increased the number of businesses eligible for 504 financing. It is important to note that the 504 standards allow for assistance for many businesses that do not qualify under SBA's 7(a) loan guarantee program. 504 can also finance loans in excess of the \$2 million maximum allowed under 7(a). Please call your local TCDC loan consultant for more details.*

### Highlights of the SBA 504 Fixed Rate Loan Program

- Low fixed interest rate for 20 years
- Financing for Real Estate and Equipment
- Project sizes from \$250,000 to \$5,000,000
- Project Debentures up to \$1.3 million
- Available for owner occupied businesses
- Financing of up to 40% of total project cost (including soft costs)
- SBA takes a second lien position
- Lender achieves a 50% loan to cost permanent loan priced to market

## President's Message To Lenders



TCDC was established in 1981 as a for-profit Certified Development Company. In the 21 years of our existence, we have provided nearly 200 million in financing to the small businesses that we serve. TCDC currently services a \$35 million loan portfolio, and is committed to increasing it to \$100 million over the next five years. As a for-profit company, TCDC has never received government assistance, and must work as hard as our lenders to close loans and grow our business.

At TCDC, we know you have a choice of CDC's to help you with your business needs. We are proud of our highly experienced group of loan consultants, each of who possess over twenty years of business lending and economic development experience. A majority of our consultants have worked as SBA business development loan officers and understand the demands of meeting internal loan production goals and the demands of customers. We encourage our consultants to develop partnerships with lenders and individual loan officers to better service the needs of our partner banks and borrowers.

We look forward to assisting you in providing business growth opportunities for your valued customers.

*Ernest Perales*  
*President*

You Are Just A Call Away From  
Success.

**1-800-486-8620**

## TCDC Staffing Up to Meet Increased 504 Loan Demand

**TCDC is proud to announce the addition of two new loan Consultants.**

**Bob Nance** joined us in November of 2001 serving the San Antonio area. Bob brings over twenty years of lending experience to TCDC in SBA and conventional lending environments. Bob operates Nance and Associates, a successful 7(a) loan packaging company, in San Antonio. Prior to starting his own business, Bob was regional sales manager for The Money Store (now First Union Small Business Capital).



**Bob Nance**



**Rod Maldonado**

**Rod Maldonado** joins TCDC as a loan consultant in the Dallas/Fort Worth area. Rod brings over 20 years of experience as a lender to TCDC, with many years of SBA lending experience. Prior to joining TCDC, Rod worked for Citi-Capital/Associated Capital Corporation, in Irving. Rod is a past President and founding member of the Hispanic Bankers Association, DFW Chapter.

## Lenders Tip

Buy-Outs...Does the Seller Have an Existing SBA loan?

Notice 5000-761 has changes on the processing restriction on paying off existing SBA debt. The new procedure will permit lenders to process under the expedited programs a change of ownership when the SBA guaranteed loan being paid off is NOT with the same lending institution submitting the new guaranteed request. SBA does not consider these transactions to be debt-refinancing.

For Recent Policy and Procedure changes Visit the SBA Website.  
[www.sba.gov/banking](http://www.sba.gov/banking). Click on "Notice," then scroll down.

## Time & Money Savers

**Before spending a lot of your time and money on a loan, verify the following:**

- Personal & Business Credit
- Correct Property Zoning and
- Borrower's Injection

**You'll be happy you did!**



**Agueda (Agatha) Esparza**  
Loan Servicing Specialist

# PROVEN RESULTS

## Success Story

**Rita and Sunil Mehta**  
**Sean Collection, Inc.**

Sean Collection, Inc., a Houston, Texas-based maker of women's formalwear, grew from \$2 million in sales in 1997 to over \$10 million in sales in the year 2001 after obtaining a 504 business expansion loan from the Texas Certified Development Company.

Sean Collection Inc. began operations in 1993 after the Mehtas determined that the market for reasonably priced formalwear in the U.S. was underserved. Leveraging their extensive experience in retail sales and Rita Mehta's design skills, the company began to design, manufacture, and distribute to high end department stores and boutiques throughout the United States. Sean Collection apparel, along with products marketed under the Sean Express and Cecily Brown labels, can be found on the shelves of big name American retailers such as Nordstrom's, Macy's and Dillard's, to name a few.

An integral component of the spectacular growth of Sean Collection was the 504 expansion loan, which allowed the company to hire additional staff to meet the company's growth demands, and to provide the necessary facilities to handle a much higher inventory level. Sunil Mehta, who handles the financial and administrative side of the business, said the company would not have been able to grow as fast as it had without the additional leverage and favorable financing terms that the 504 loan provided. Now Mr. Mehta is planning to increase the size of the facility, and expects a high rate of growth to continue into the future.

Sean Collection, Inc. currently has 35 employees. In addition to the main facility, Sean Collection maintains five "Formal Gallery" retail locations in the Houston area.

Formal Retail-\$831,000 Houston, TX



Billiards Parlor  
\$2,224,085  
Corpus Christi, TX



Buffet Palace  
\$3,106,548  
Austin, TX



Golf Course  
\$2,559,021  
Corpus Christi, TX

# These lenders have participated with us in making the SBA 504 Loan Program Successful:

American Bank-Jim Pickett  
American Bank-George Horner  
Bank of America-Eric Sideri  
Broadway Bank-Gene Paganucci  
Central Texas Bank-Chris Bubela  
Citizens National Bank-Michelle Machen  
Commerce Bank-Laredo- Jorge Cedillo  
Compass Bank-Alan Croley  
First Union SBC-Vince Calicchia  
GE Capital-Chris Herko  
GE Capital-Adam Furth  
International Bank of Commerce-Alberto De Llano  
International Bank of Commerce-Victor Garcia  
Main Bank-Rick Guest  
National Bank-James W. Schmitz  
Ozona National Bank-Steve Colunga  
South Texas National Bank-David Puig  
Southwest Bank-Mark Monroe  
Southwest Bank-Ben Taylor  
United Central Bank-Wayne Smith  
ValueBank-David Royal  
Washington Mutual-Michael Litton  
Wells Fargo Bank-Maribel Gonzalez  
Wells Fargo Bank-Leslie Haxel  
Wells Fargo Bank-Rod Mueller  
Wells Fargo Bank-Kyle Spears  
Woodforest National Bank, N.A.-Mitch Vicknair

**THANK YOU PARTNERS!**

## TCDC's Directory



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TCDC's Web Site:  
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**The Money That Makes America Work**

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