



## Financing for Growth and Expansion



Delaware's 504 Report

February 2008

### 504 Loans Used with Leasehold Mortgages

"A lease can be mortgaged just as any other interest in real estate that can be sold.\*" The SBA 504 Loan can be used with acquisitions, new construction and equipment purchases when collateral is a Leasehold Mortgage . The 504 loan minimizes the bank's risk by financing 40% of the project, allowing the bank to maintain a superior lien on the property with only 50% of the risk.

Delaware Community Development Corporation recently closed two 504 loans which were collateralized with Leasehold Mortgages. The first was Arner's Restaurant located in New Castle. Long-time General Manager, Rob Morgan, purchased the restaurant which is located on ground owned by the Delaware River & Bay Authority. DCDC partnered with Wilmington Trust to finance this acquisition using a ground lease as collateral.

#### Interest Rates

Debenture Rate  
20 year — 5.16%

Effective Rate  
20 year — 6.048%

The second loan was for Duck-In Car Wash located in Milford. This was a new construction project and equipment purchase on ground leased by Wawa, Inc. and owned by the City of Milford. Again, DCDC partnered with Wilmington Trust to finance the project using a sub-ground lease as collateral.

The SBA does require specific conditions in the ground lease, which protect their interests in the event of default or foreclosure. Please contact Buck Effinger, DCDC Executive Director, for more information regarding using a Leasehold Mortgage in conjunction with the 504 loan.



#### Staff Changes

Janet Dougherty has resigned as a Loan Officer for DCDC/WEDCO . Her last day is February 22, 2008. We wish her the best of luck!

\*Marshall Dennis, Fundamentals of Mortgage Lending, Reston Publishing Company, 1978

**Delaware Community Development Corporation is the #1 SBA 504 lender in Delaware. SBA 504 loans are used to finance site and building acquisitions, new construction, building renovations and equipment purchases.**

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