



## 504 vs. 7 (a) Comparison

	504 Loan	7(a) Loan
Down Payment	Typically 10%	Typically 20%-30%
Interest Rate	Low fixed interest rate for 10, 20, or 25 years	Typically variable, some fixed-rate options available
Length of Term	<ul style="list-style-type: none"> <li>➤ 20 or 25 years for real estate</li> <li>➤ 10 years for real estate or equipment</li> </ul>	<ul style="list-style-type: none"> <li>➤ Determined by Use of Funds</li> </ul>
Qualifying Business	<ul style="list-style-type: none"> <li>➤ Combined Net Worth of \$15 Million or less for project entities and all affiliate companies</li> <li>➤ Combined 2 year average annual profits of \$5 Million or less for project entities and all affiliate companies</li> </ul>	<ul style="list-style-type: none"> <li>➤ Annual Sales not to exceed range of \$750,000 to \$33.5 million for retail, service and agriculture</li> <li>➤ Number of employees not to exceed range of 100 to 1,000 for wholesale and manufacturing</li> </ul>
Loan Size	\$50,000 – \$5.5 Million on the 504 portion alone	Up to \$5 million
Collateral	Generally, project assets being financed are used as collateral, personal guarantees of any 20% or more owner is required, business guarantee	<ul style="list-style-type: none"> <li>➤ Subject assets acquired by loan proceeds</li> <li>➤ Pledge of personal residence unless bank can justify lack of necessity.</li> <li>➤ Personal guarantees of the principal owners with 20% or more ownership are required</li> </ul>
Best Use	Owner-occupied (at least 51%) real estate Equipment Financing	Short-term or long-term working capital, or refinance existing business debt
Advantages	<ul style="list-style-type: none"> <li>✓ As little as 10% down</li> <li>✓ Lowest rates of any government business loan</li> <li>✓ Stretch debt over long term to free up cash and working capital in the business</li> <li>✓ Long-term debt improves credit picture to facilitate credit lines and other short-term loans if needed</li> <li>✓ Diversify your business investment- real estate provides stability during economic instability</li> <li>✓ Fees and closing costs can be financed in the package</li> </ul>	<ul style="list-style-type: none"> <li>✓ Short-term working capital</li> <li>✓ Fees and closing costs can be financed in the package</li> </ul>
Additional Information	Ask your lender about the SBA 504 Loan or call our office at 317-844-9810	Expect rates to rise from recent historically low levels
Lender Requirements		Significant lender reporting required to insure the validity of the guarantee