

504 vs. 7(a)

Lakeshore 504

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*Is the 504 Loan the right loan for my business?
 If you are financing fixed assets, the answer is most likely YES!
 A Side-by-Side Comparison of SBA's two most popular loan programs!*

	504 Loan	7(a) Loan
Down Payment	Usually 10%	Usually 10-30%
Interest Rate	Low fixed interest rate for 10 or 20 years	Typically variable, some fixed-rate options available
Length of Term	<ul style="list-style-type: none"> • 20 years for real estate • 10 years for real estate or equipment only 	<ul style="list-style-type: none"> • Determined by industry type • Annual sales not to exceed range of \$750,000 to \$33.5 million for retail, service and agriculture • Number of employees not to exceed range of 100 to 1,000 for wholesale and manufacturing
Loan Size	\$125,000 - \$5.5 million on the 504 portion alone (total project loan may be up to \$13 million)	Up to \$5 million
Collateral	Generally, project assets being financed are used as collateral Personal guaranties of any 20% or more owner is required, business guarantee	Subject assets acquired by loan proceeds Pledge of personal residence unless bank can justify why unnecessary Personal guaranties of the principal owners of 20% or more ownership are required
Best Use	Owner-occupied (at least 51%) real estate Equipment finance	Short-term or long-term working capital and to purchase an existing business, refinance existing business debt, or purchase furniture, fixtures and supplies
Advantages	<ol style="list-style-type: none"> 1. As little as 10% down 2. Lowest rates of any government guaranteed business loan 3. Stretch debt over a long term to free up cash and working capital in the business 4. Long-term debt improves credit picture to facilitate credit lines and other short-term loans if needed 5. Diversify your business investment – real estate provides stability during economic instability 6. Fees and closing costs can be financed in the package 	<ol style="list-style-type: none"> 1. Short-term working capital 2. Popular product with banks
Disadvantages	Limitations on use: owner occupied real estate, equipment and leasehold improvements	Higher rates than the 504 Loan Variable rates can rise Balloon payments can cause instability More expensive debt can impede the business long-term
Extra Tip	Ask your lender about the SBA 504 Loan or call our office directly! You may reach us at (616) 392-9633 or (616) 846-3153 - www.lakeshore504.org	Expect rates to rise from recent historically low levels