

# 504 vs 7(a): What's the difference?

Whether you are interested in the SBA 504 or SBA 7(a) loan program, both have their advantages including longer repayment terms and lower down payments. In order to qualify for either program, your business must have a net worth of less than \$15 million and a net profit of no more than \$5 million (two year average after taxes).

	SBA 504 LOANS	SBA 7(a) LOANS
ELIGIBLE USES	<ul style="list-style-type: none"> <li>Buy, build or renovate commercial real estate</li> <li>Purchase capital equipment and machinery</li> <li>Refinance conventional commercial real estate and equipment debt</li> </ul>	<ul style="list-style-type: none"> <li>Start, expand or acquire a business</li> <li>Buy, build or renovate commercial real estate</li> <li>Refinance existing debt</li> <li>Purchase furniture, fixtures and equipment</li> <li>Working capital &amp; inventory</li> <li>Lines of credit</li> </ul>
LOAN AMOUNT	<ul style="list-style-type: none"> <li>A maximum 40% of a total projects cost, up to \$5MM (\$5.5MM for manufacturers or projects qualifying for the SBA's energy efficiency public policy goal)</li> </ul>	<ul style="list-style-type: none"> <li>Up to \$5MM with a maximum SBA guaranty of \$3.75MM</li> </ul>
DOWN PAYMENT	<ul style="list-style-type: none"> <li>10% for established business in a multi use building, or equipment purchases</li> <li>15% for start-ups, change of ownership or a special use property</li> <li>20% for start-ups in a special use property</li> </ul>	<ul style="list-style-type: none"> <li>Determined by the lender based on the type of business, experience of the management and the level of competition</li> </ul>
INTEREST RATES & TERMS	<ul style="list-style-type: none"> <li>Fixed for 25, 20 or 10 years on commercial real estate and 10 years on equipment</li> <li>Fully amortized for the life of the loan</li> </ul>	<ul style="list-style-type: none"> <li>Fixed, variable and combination rates available</li> <li>Loan terms up to 10 years for most requests, or up to 25 years for long-term equipment or commercial real estate</li> <li>The useful life on equipment</li> </ul>

