

# SBA Loans Comparison Chart



The Small Business Administration offers a number of loan programs to business owners who are looking to start or expand their business. To help you decide which loan is best for your business, the chart below compares two of the most common: the 7(a) Loan and the 504 Loan.

Criteria	SBA 7(a) Loan	SBA 504 Loan
	<ul style="list-style-type: none"> <li>- For-profit businesses</li> <li>- Small business qualifications by SBA guidelines</li> <li>- Size varies by industry type</li> </ul>	<ul style="list-style-type: none"> <li>- Existing and start-up for-profit businesses</li> <li>- Net Income (NI) is not more than \$3 million and Net Worth less than \$8 million, or the new Alternative Size Standard - Less than \$15 million in net worth and \$5 million in average net income</li> <li>- <b>504 Project</b> - One job created for every \$65,000 borrowed or meet public policy goal</li> </ul>
<b>Loan Size</b>	<ul style="list-style-type: none"> <li>- SBA loan guarantee cannot exceed \$3.75 million</li> <li>- SBA maximum loan amount is \$5 million</li> </ul>	<ul style="list-style-type: none"> <li>- \$5 million</li> <li>- If small manufacturer, 10% reduction in borrower's energy consumption or generates renewable energy or renewable fuels than maximum is increased to \$5.5 million</li> </ul>
<b>Use of Proceeds</b>	Land, building, machinery/equipment, purchase business inventory and/or working capital	Land, building (new purchase, construction or renovation), machinery/equipment (maximum life of 10 years), debt refinance for business expansion (50% of expansion) and/or temporary debt refinance of other debts through 09/27/2012
<b>Financing</b>	<p>Provided by Lender, and SBA provides:</p> <ul style="list-style-type: none"> <li>- 85% guarantee to Lender on loan amounts of \$150,000 or less</li> <li>- 75% guarantee on loan amounts of \$150,000+</li> <li>- Borrower injection negotiated with Lender</li> </ul>	<ul style="list-style-type: none"> <li>- 50% financed by Lender</li> <li>- 40% SBA via a CDC</li> <li>- 10%+ borrower on existing injected required may be increased on new businesses +5% and/or +5% on special-purpose real estate</li> </ul>
<b>Collateral</b>	SBA requires lender to take all available collateral at the time the loan is made - secured interest on business assets and/or a DOT on real estate	Lender holds first lien on real estate, and/or secured interest in equipment/machinery. SBA holds second lien on real estate or second secured interest in equipment/machinery.
<b>Interest Rates</b>	<ul style="list-style-type: none"> <li>- Rates can be fixed or variable</li> <li>- Prime + 2.25% of term less than 7 years</li> <li>- Prime + 2.75% of term more than 7 years</li> </ul>	<ul style="list-style-type: none"> <li>- Lender negotiates rate between borrower and bank (fixed or variable)</li> <li>- Lender sets other conditions of the loan</li> </ul>
<b>Loan Terms</b>	<ul style="list-style-type: none"> <li>- Working Capital - typically 7, but up to 10 years</li> <li>- Equipment - up to 10 years (or useful life)</li> <li>- Real Estate - up to 25 years</li> </ul>	<ul style="list-style-type: none"> <li>- Lender - minimum 10 years on Real Estate; 7 years on machinery/equipment</li> <li>- 504/SBA loan - 10 or 20 years</li> </ul>
<b>Underwriting Requirements</b>	<ul style="list-style-type: none"> <li>- Personal guarantees by all owners with interest of 20% or more</li> <li>- Adequate business collateral, or personal assets securing personal guaranty</li> <li>- Life insurance if necessary</li> <li>- Hazard insurance</li> </ul>	<ul style="list-style-type: none"> <li>- Personal guarantees by all owners with interest of 20% or more</li> <li>- Life insurance on business principals in amount of SBA loan</li> <li>- Hazard insurance</li> </ul>

