



DelVal's "Top Ten" List for 504 Loans

Why use SBA 504 loans instead of 7a loans?

1. Better Loan to Value (LTV) ratios on property and equipment loans

Banks have a senior position and LTV's of 50-70% on 504 loans. With 7a loans, bank risk exposure is 20-25% of all losses.

2. Lower down-payment for the business

Borrowers have 10% down-payments on most 504 loans - but they are higher with 7a loans.

3. Lower fixed-rate

504 offers the lowest 20 yr. fixed-rates available to smaller businesses. 7a fixed-rates are higher.

4. Lower bank risk

There is no risk of SBA denying or impairing (only partially honoring) the guarantee on a 504 loan - which can and does happen on 7a loans.

5. More widespread use in banks

All bank commercial loan officers can use SBA 504 loans - not just 7a specialists.

6. Use bank documents

Banks use their regular bank documents for SBA 504 loans - with no SBA docs or forms.

7. No SBA contact

All SBA paperwork and negotiations is done by the CDC.

8. Larger projects

Banks can use SBA subordinated loans for larger projects - up to \$10-20 million.

9. Bank policies and procedures

Bank loans using the 504 program are consistent with bank policies and procedures.

10. Flexibility

504 loans permit more bank flexibility in providing credit lines and other loans.