

### Comparison of SBA 504 and 7(A) Loan Programs

	<b>504 Loan Program</b>	<b>7(a) Loan Program</b>
<b>Purpose of Loan</b>	Fixed assets such as owner-occupied real estate and heavy equipment; no refinancing or working capital	Any business purpose
<b>Goal of Program</b>	Job creation and retention; economic development	Capital access – access to capital for businesses that would not qualify elsewhere
<b>Rates and Terms</b>	<p><b>Bank Loan:</b> Variable or fixed; must be at least half as long as term of CDC loan</p> <p><b>CDC Loan:</b> Fixed rate, 10 or 20 year maturity</p>	Variable or fixed; term of up to 25 years depending on use of proceeds
<b>Maximum Amounts</b>	Bank loan size is unlimited; generally used for projects of \$3.75 million to \$5 million; \$10 million for manufacturing	\$2 million loan with a \$1.5 million guaranteed amount
<b>Fees</b>	<p><b>Bank Loan:</b> Application fee and construction loan fee(if applicable) vary by bank: one-time SBA participation fee of 50 basis points paid by bank</p> <p><b>CDC Loan:</b> Upfront fees of approximately 2.75% which are financed</p>	Upfront guarantee fee of approximately 3% on guaranteed portion; Ongoing fee of 54.5 basis points paid by lender
<b>Bank Lien Position</b>	Bank has exclusive first lien	Bank holds the first lien; with typical 75% guarantee, the lender receives 75% of any proceeds from a liquidation and SBA receives 25%
<b>Loan-to-Value</b>	<p><b>Bank Loan:</b> Typically 50%</p> <p><b>CDC Loan:</b> Maximum of 40%</p>	Maximum of 90%
<b>Qualification</b>	Business net worth not to exceed \$7 million; average net profit for 2 consecutive years not to exceed \$2.5 million after taxes	Depending on the type of business, annual sales of less than \$5 million or manufacturing firm of less than 500 employees
<b>Prepayment Penalties</b>	<b>CDC Loan:</b> Penalty is 100% of one year's interest in the first year, declining to zero at the midpoint of the loan	Low; no penalty for up to 25% prepayment in the first 3 years.