

SBA-504 and SBA-7a Comparison

	SBA 504 LOAN (Commercial Real Estate & Equipment only)	SBA 7(a) LOAN (General Purpose)
Loan Size	\$125,000 to over \$13,000,000	\$50,000 to \$5,000,000
Interest Rate	<p>Fixed rate on SBA 504 second lien debenture which is fully amortized through the term of the loan. Interest rates on 504 loans are set monthly at the time of funding at an increment above the current market rate for five-year and ten-year U.S. treasury issues</p> <p>A variable interest rate is negotiated with bank on first lien bank loan which is 50% of the total project cost.</p>	<p>Variable rate adjusted quarterly Fully amortized through the term of the loan</p> <p>Interest rates are negotiated between the borrower and the lender subject to SBA maximum of Prime plus 2.75%</p>
Prepayment Penalties	Prepayment penalty on SBA debenture is 10%,9%,8%,7%,6%,5%,4%,3%,2%,1% for first 10 years respectively. Prepayment penalty on bank portion of financing is negotiable.	Prepayment penalty is 5%,3%,1% for the first three years respectively.
Eligible Business Size	<p>Business net worth not to exceed \$15 million</p> <p>Average net profit after taxes for 2 consecutive years not to exceed \$5 million</p>	<p>Business net worth not to exceed \$15 million</p> <p>Average net profit after taxes for 2 consecutive years not to exceed \$5 million</p>
Terms Available and Amortization Periods	<p>loan 20 years fully amortized – real estate</p> <p>loan 10 years fully amortized – equipment</p> <p>No balloon payments</p>	<p>25 years – real estate</p> <p>10 years – equipment, business acquisition, working capital</p> <p>All loans are fully amortized</p> <p>No balloon payments</p>
Loan Structure (minimum down payment requirement)	<p>50% bank loan</p> <p>40% CDC loan</p> <p>10% borrower down payment</p>	<p>90% bank loan</p> <p>10% borrower down payment</p>
Loan Purpose	<p>Purchase existing building</p> <p>Land acquisition and ground up construction (includes soft cost development fees)</p> <p>Expansion of existing building</p> <p>Finance building improvements</p> <p>Purchase equipment</p> <p>Refinance existing real estate debt</p>	<p>Expand, acquire or start a business</p> <p>Purchase or construct real estate</p> <p>Refinance existing business debt</p> <p>Buy equipment</p> <p>Provide working capital</p> <p>Construct leasehold improvements</p> <p>Purchase inventory</p> <p>Partner buyout</p>
Loan Program Requirements	<p>51% owner occupancy required for existing building</p> <p>60% owner occupancy required for new construction</p> <p>Equipment with a minimum 10 year economic life</p>	<p>51% owner occupancy required for existing building</p> <p>60% owner occupancy required for new construction</p> <p>All assets financed must be used to the direct benefit of the business</p>

Collateral	<p>Generally, the project assets being financed are used as collateral</p> <p>Personal guaranties of the principal owners of 20% or more ownership are required</p>	<p>Collateral is the subject assets acquired by loan proceeds</p> <p>May require pledge of personal assets if equity available</p> <p>Personal guaranties of the principal owners of 20% or more ownership are required</p>
Loan Fees	<p>Fees are financed in the 504 loan</p> <p>Fees are negotiated for the 50% bank loan accompanying the 504 loan</p>	<p>The bank does not charge a fee. Instead, the bank collects and remits to SBA a loan guaranty fee. The fee may be financed in the transaction.</p>

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