Indiana Statewide Certified Development Corp

504 vs. 7 (a) Comparison

	504 Loan	7(a) Loan
Down Payment	Typically 10%	Typically 20%-30%
Interest Rate	Low fixed interest rate for 10 or 20 years	Typically variable, some fixed-rate options available
Length of Term	➢ 20 years for real estate ➢ 10 years for real estate or equipment	➢ Determined by Use of Funds
Qualifying Business	➢ Combined Net Worth of $15 Million or less for project entities and all affiliate companies ➢ Combined 2 year average annual profits of $5 Million or less for project entities and all affiliate companies	➢ Annual Sales not to exceed range of $750,000 to $33.5 million for retail, service and agriculture ➢ Number of employees not to exceed range of 100 to 1,000 for wholesale and manufacturing
Loan Size	$50,000 – $5.5 Million on the 504 portion alone	Up to $5 million
Collateral	Generally, project assets being financed are used as collateral, personal guarantees of any 20% or more owner is required, business guarantee	➢ Subject assets acquired by loan proceeds ➢ Pledge of personal residence unless bank can justify lack of necessity. ➢ Personal guarantees of the principal owners with 20% or more ownership are required
Best Use	Owner-occupied (at least 51%) real estate Equipment Financing	Short-term or long-term working capital, or refinance existing business debt
Advantages	✓ As little as 10% down ✓ Lowest rates of any government business loan ✓ Stretch debt over long term to free up cash and working capital in the business ✓ Long-term debt improves credit picture to facilitate credit lines and other short-term loans if needed ✓ Diversify your business investment- real estate provides stability during economic instability ✓ Fees and closing costs can be financed in the package	✓ Short-term working capital ✓ Fees and closing costs can be financed in the package
Additional Information	Ask your lender about the SBA 504 Loan or call our office at 317-844-9810	Expect rates to rise from recent historically low levels
Lender Requirements		Significant lender reporting required to insure the validity of the guarantee