

25-YEAR SBA 504 LOANS

NOW AVAILABLE

There is a new member of the SBA 504 loan family. To better meet some borrowers' needs, a 25-year loan term option is available, which is in addition to the 10-year and 20-year loan options already offered.

Benefits of a 25-Yr Loan

While loan term selection depends on the needs of each individual business, a longer maturity means:

- Lowered monthly payments
- Preservation of cash on hand
- Elimination of future rate hike concerns
- The ability to prioritize any other, higher-interest debt payments

The new, longer maturity will also make the 504 loan product more competitive with the SBA 7(a) loan, which already has a 25-year option.



SBA Guidelines

The 25-year option will still conform to all the familiar guidelines of the traditional SBA 504 Loan Program.



Rate & Down Payment

25-year loans still feature a fixed rate based on U.S. Treasury bonds, with a down payment as low as 10%.



Use of Proceeds

The purchase of land or buildings, building improvements, equipment, and, in some cases, to refinance qualifying debt.



25-Yr Loan Availability

Available now. Projects with an existing SBA approval (10- or 20-yr term) won't be allowed to switch to the 25-year term, but would instead have to reapply.

Bank Term

A Minimum of
10 Years

Interest Rates on 25-Year Loans

July 2018 was the first bond sale. The effective interest rates for 25-year loans are slightly higher than for the 20-year loan product. Of course, whether you choose a 10-year, 20-year, or 25-year term, the SBA 504 Loan Program offers the security of knowing the monthly payment will never go up even if interest rates rise.

Payments

For demonstration purposes, say a business is financing the purchase of a \$1 million building...the 504 loan payments would equate to approximately:

If a 25-year term: \$6,266
If a 20-year term: \$6,989

} *A Difference of \$723 per Month!*

Keep in mind, while the 25-year option can shave a significant amount off of monthly payments, the longer loan term equates to a higher amount of interest paid over the life of the loan. However, for those borrowers looking to lower their monthly operating expenses, a longer maturity is a vehicle that can serve that purpose.