SBA 504 LOANS

INTEREST RATES - Q & A

GrowthCorp.com/SBA504Terms

How are SBA 504 Interest Rates Determined?

The exact interest rate on all SBA 504 loans is determined at the time a 504 debenture pool is sold to the private market and is based on current market conditions, which fluctuate. While this may not immediately make sense, there is actually a simple reason for it…

Despite a lot of misconceptions, money for SBA's 504 Loans does not actually come directly from the SBA. Instead, all 504 loans being funded in any given month are combined into what's called a debenture pool, which is then marketed, priced, and sold to private investors.

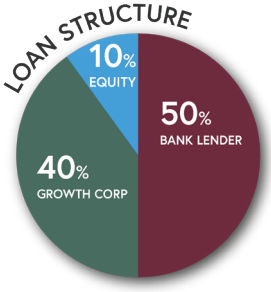
SBA has contracts with major financial institutions to handle the technical aspects of the sale process. Once an agreement is reached with the Underwriters on the sale price of the debentures, the rate of your loan is determined.

Interest rates on 504 loans are pegged to an increment above the current market rate for five-year and ten-year U.S. Treasury issues with maturity options of 10-, 20-, and 25 years. Once set, the rate on the 504 loan is fixed for the life of the loan. Fees associated with administering 504 Loans are added to the debenture rate, and the total is known as the effective, or "all-in" rate.

Keep in mind...all SBA 504 loans are funded using the same market sale process, so interest rates in any given month are the same nationwide…regardless of CDC.

Typical Financing Structure:

- **50%** of the project's total cost is provided by a participating lending institution, usually a bank
- **40%** is provided by Growth Corp as a 504 loan
- **10%** equity is provided by the applicant small business/borrower *(higher equity requirements exist for start-ups or special purpose properties... the equity required will increase by 5% if one condition exists or by 10% if both)*



Current U.S. 10 Year Treasury

Key Details

ELIGIBLE USES OF 504 FUNDS

- Land
- Acquisition of an existing building
- New construction
- Building expansion or renovation
- Long-term equipment
- Refinance of qualifying debt
- Furniture and fixtures
- Leasehold improvements
- Professional fees
- Other: i.e. appraisals, fees, permits, etc.

INELIGIBLE USES OF FUNDS

- Working capital
- Inventory
- Goodwill assets from business purchase
- Franchise fees
- Investment in rental real estate

INTEREST RATE & TERMS

- Fixed-rate
- Fully amortized (no balloons)
- Real estate – 10, 20, 25 year term
- Equipment – 10 year term
- Rate locked when debenture is sold

LOAN AMOUNT LIMITS (SBA PORTION)

- $5 million (typical projects)
- $5.5 million (manufacturers, energy initiatives or public policy goals met)
- No maximum lending limit on participating lender's portion

OCCUPANCY

- 51% for existing facilities/buildings (renovations and expansions)
- 60% for new construction (must occupy 80% within ten years)

Can SBA 504 Loans Help Offset the Effects of Inflation? Yes!

- ✓ Low down payments - typically just 10%
- ✓ Competitive, fixed interest rates (typically at or below prime)
- ✓ Long, fully amortized loan terms (25-, 20- or 10 years)
- ✓ Financing can include furniture, fixtures and fees
- ✓ Refinance qualified, existing debt
- ✓ Fixed occupancy costs and payment stability
- ✓ No future balloon payments or call provisions
- ✓ Preserves working capital
- ✓ Financing can include leasehold improvements
- ✓ With refinancing, existing equity = down payment
- ✓ Cash-out options with refinancing
- ✓ Property ownership builds wealth for the future

SBA 504 Loans Feature

LONG-TERM FIXED RATES...

25 YEARS | 20 YEARS | 10 YEARS

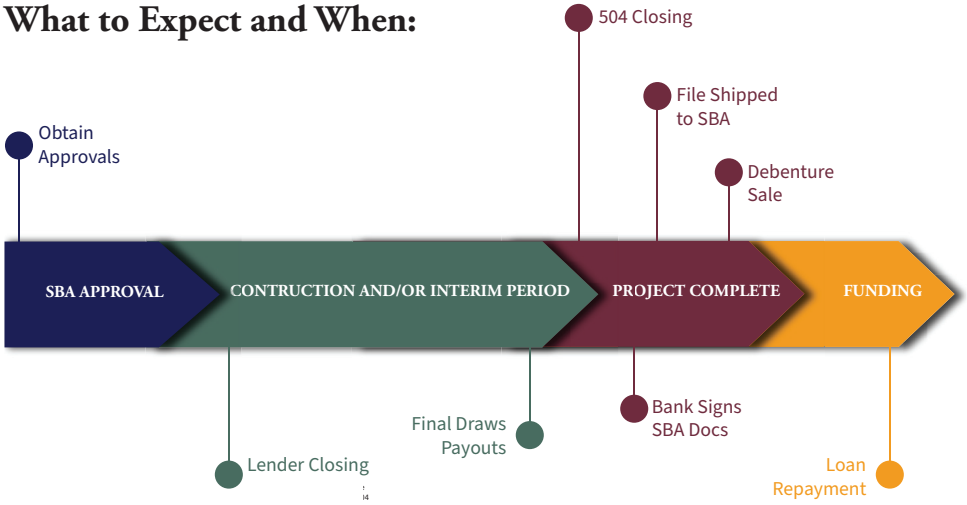
Is Interim Financing Necessary?

Usually, yes, because there is often a delay between the closing and the funding of an SBA 504 loan. Since the 504 loan is funded through a bond sale after the closing has taken place, the documentation of project completion must first be sent to the SBA District Office for submission in the next available bond pool. Based on the date of closing and the submission schedule of the District Office, the time period could be as little as 5 weeks or up to two or three months, especially for 10 year 504 loans that only have debenture sales every-other month.

In most cases, the bank involved in the project provides an interim loan and handles the disbursement of those funds for the project. The bank also typically waits until the SBA has approved the 504 loan and issues a Debenture Authorization before they close on their interim loan.

Once the 504 loan funds, the money is wired to the bank (or non-bank interim lender) to pay off the principal amount of the interim loan. The length of the interim financing depends on the nature of the project. Turnkey projects typically involve the shortest interim financing period. However, for ground-up construction projects, that interim financing period could last up to a year or even more.

What to Expect and When:



FY26 Fees

A Breakdown of What to Expect and When

	Upfront Out-of-Pocket Costs	Fees Financed in the 504 Loan Amount	Fees Included with the Interest Rate
• Application Deposit | $1,000	•		
• Commitment Fee | 1% of 504 portion, • $2,500 minimum	•		
• Bank Fee | 0.5% of the First Mortgage	•		
• Legal Fee | $3,000		•	
• Processing Fee | 1.5% of 504 Portion		•	
• Guaranty Fee | 0.50% of 504 portion		•	
• Loan Service Agent Fee | 0.25% of 504 portion		•	
• Bond Underwriter Fee | 0.4% of 504 portion		•	
• CSA Fee | 0.1%			•
• SBA Service Fee | 0.209% (Refi: 0.2115%)			•
• CDC Fee | 0.625% of 504 portion			•

Why Growth Corp?

Because we help get deals done. Growth Corp is the top CDC in Illinois, the largest 504 Lender in Chicago, and a top ten 504 Lender nationwide. In addition, Growth Corp has earned an Accredited Lender status with SBA, which grants us the ability to expedite the processing of loan approvals and closings.

877-BEST 504

www.GrowthCorp.com