

Helping Business Take the Next Step

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SBA 504 vs. 7(A) loan programs

The US Small Business Administration (SBA) has several loan programs designed to help small businesses get the funds they need. The two largest SBA programs used mostly to purchase real estate or large equipment are the 504 and the 7(A).

The SBA 504 loan program is an economic development program to increase productivity, create new jobs and increase the local tax base.

The 7(A) is a *deferred* participation program which guarantees a portion of the loan made by a lender to the small business.

The programs have their similarities and they both have their advantages.

Why should Lenders consider using 504 vs. 7(A)?

- 1) **Low loan to cost** (generally 50%), no guarantee needed. The 504 program simply commits to an end take out reducing the Lender's final exposure. It's difficult to imagine incurring a loss with 50% loan to cost value.
- 2) **Collateral is project specific**, which leaves working assets available to support other loans.
- 3) **No restrictions on Lender's pricing or structure**, except the interest rate must be

reasonable and the term at least 7 years for equipment and 10 years for real estate.

- 4) **The SBA approval process and paperwork is handled entirely by Montana Community Finance Corporation (MCFC)**, making the process less burdensome for the Lender. Our experienced staff will guide you through the process.
- 5) **No monthly fees to Colson Services**, you retain all the fee income!

MCFC is your partner, not your competitor. Explore all of your options. If you have a potential project, we can provide you with a 504 vs 7(A) comparison.

**Give us a call:
1-866-443-3261**

October Interest Rate Lowest in Program History

The overall effective interest rates for a 10-year SBA 504 loan have been falling since the beginning of the year and for the past three months the 20-year rates have been falling with this month landing at an **all-time low of 4.86%**!

Small businesses are taking advantage of these very attractive interest rates and the temporary elimination of the borrower's fees. They are using the SBA 504 loan to finance the purchase of:

- land and building construction
- an existing building
- an existing building with renovations and/or additions
- capital equipment, including heavy machinery

Note - The loan may also include costs directly attributable to the project, for example - appraisals, environmental reports, architects fees, surveys, equipment installation, etc.

Over 115,000 small businesses have taken advantage of the 504 loan program since its inception. Shouldn't your small business customer be next?

SBA 504 Overall Effective Interest Rates

	20-year	10-year
Jan	6.67%	6.32%
Feb	5.70%	n/a
March	5.60%	5.07%
April	5.25%	n/a
May	5.37%	4.49%
June	5.90%	n/a
July	5.24%	4.37%
Aug	5.39%	n/a
Sept	5.14%	4.26%
Oct	4.86%	n/a

Check out our website at:

www.mtcommunityfinance.org