



Introduces

504 Loans and Debentures with 25 Year Maturity

Stay tuned for more information about this exciting new product. We will release information as we learn more. Please contact your local NWBD A Business Development Officer for more details.

www.nwbusiness.org

Historical:



The available terms for 504 loans and debentures have been 10 and 20 years since 1986. These have provided intermediate and long-term financing for 504 projects involving small business acquisition of long-term fixed assets including real property, buildings, major equipment and machinery.

CDC members have emphasized the small business need for an affordable fixed rate instrument with a term-to-maturity more closely resembling other long term mortgages.

Now:



SBA has made available a 504 Debenture with a maturity of 25 years. By extending the payment cycle by 60 months, SBA expects that the new instrument will decrease the monthly payments for the small business borrower and will provide flexibility for small businesses to better manage critical operating capital, which becomes more important when small business cash flow is increasingly challenged by rising operating expenses and interest rates.

More Information:



- Similar to the 10 and 20 year debentures, SBA will guarantee certificates backed by the 25-year debentures in their own pool, depending on demand, SBA expects to offer for sale on a monthly basis.
- It is anticipated that the effective rates for the 25 year debenture will be 30-40 bps. higher than the 20 year debenture rates
- The minimum third party lender term will remain at 10 years.