

# Doron F. Eghbali Business Planning Law

## [New SBA Loans Are Here To Help: Learn How](#)

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The government through Small Business Administration (SBA) is working hard to further help out businesses. The SBA has introduced a rather new loan program by the name of 504 loan. Let us educate about this loan and ensure we can intelligently take advantage of this new opportunity.

### **SOME BACKGROUND ON 504 LOAN**

504 loan has the following characteristics:

- **FIXED-RATE FINANCING:** Companies can take out fixed rates financing to purchase properties, build or enlarge facilities or refinance some existing mortgages.
- **10% DOWN PAYMENT OF TRANSACTION COSTS:** Borrowers are usually required to put down only 10% of the whole transaction costs.

Despite this seemingly straightforward loan process, the process could be cumbersome and prolonged. Here is what could be helpful to potential applicants.

### **1. HOW TO FIND A LENDER FOR THE 504 LOAN**

Not every bank is a 504 lender for a variety of reasons. For instance, some banks prefer to hold the whole loan and collect its full interest payments. However, only about half of the government-insured loan could be included in bank's balance sheets.

As such, some banks either do not offer such loans or offer them through programs that allow them full collection of interest payments as opposed to partial amount of that.

The best way to find a lender for 504 loans is to go to: [SBA.Gov](#). This website could assist you in finding which institutions offer 504 loans and are more likely to be familiar with the program.

### **CAVEATS**

Although the government sets some parameters for lending 504 loans, not every detail is mandated by the federal government. This means still many details are left to lenders and borrowers to negotiate. Different lenders may offer different terms. Hence, it is imperative to ask your lender to see side-by-side quotes for a 504 loan.

## 2. HOW TO RELATIVELY OBTAIN THE MOST OPTIMAL TERMS

In shopping [for the best deals](#), we should carefully consider the following important points:

- The Loan Rates
- The Fees Associated With Approval and Closing of the Loan
- The Penalties Associated with the Loan Suddenly Running Afoul of SBA Guidelines
- The Potential Gap between Approval of the Loan and Obtaining the Money.

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