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From the Sacramento Business Journal:

<https://www.bizjournals.com/sacramento/news/2018/04/10/sba-extends-term-of-real-estate-loan-program.html>

SBA extends term of real estate loan program

🔑 **SUBSCRIBER CONTENT:** Apr 10, 2018, 2:51pm PDT

The U.S. Small Business Administration has extended the term of its popular 504 real estate loan program to 25 years, effectively lowering payments for borrowers.

The move could be particularly beneficial for the Sacramento region, which is a relatively large market for SBA loans, according to local bankers.

"There is a high IQ for SBA in this market," said Ken Getz, executive vice president of lending at Folsom-based SAFE Credit Union.

The longer term will mean that fixed-rate payments will be lower and spread over a longer time than they were under the previous term, which ranged from 10 to 20 years.

"It's really good news for customers," Getz said.

The fixed-rate loan and longer term can help businesses to buy their offices or other real estate — often at a cost lower than they would pay to lease.

"It's long overdue that we get something like this," said Ed Ryan, senior loan officer with



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The Sacramento region is large SBA loan market because it has had aggressive bankers familiar with the program and many businesses who have taken advantage of it.

CDC Small Business Finance's office in Sacramento. The nonprofit community development corporation works with banks and borrowers to fund 504 loans.

The SBA has two main loans programs. One is the 7(a) loan, which can be used to acquire real estate or inventory, or for expansion, working capital or acquisitions. The other is the 504 real estate loan, which can only be used to buy land, buildings or some equipment.

The 504 loans have a higher maximum, at \$5 million, which is important in California where real estate costs are relatively high.

The federal guarantee on 7(a) loans is a maximum of \$3.7 million, but most 7(a) loans are much smaller.

Also, the interest rates on 7(a) loans are variable, based on the prime rate, while 504 loans are fixed-rate.

In the Sacramento SBA district, the average 7(a) loan in 2017 was for \$46,410, while the average 504 loan was for \$795,000, according to the SBA.

In 2017, some 800 SBA 7(a) loans were made in the Sacramento district, with a total loan value of \$371 million, while 124 504 loans were made with a total value of \$98.6 million.

The Sacramento region is large SBA loan market because it has had aggressive bankers familiar with the program and many businesses who have taken advantage of it. That's not the case in many markets across the country, said Getz with SAFE.

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