SBA Policy Notice

TO: All SBA Employees, 7(a) Lenders and Certified Development Companies

SUBJECT: Coordination of 7(a) and 504 for Maximum Loan Limits

CONTROL NO.: 5000-879058

EFFECTIVE: July 4, 2026

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The purpose of this notice is to advise SBA employees, 7(a) Lenders, and Certified Development Companies (CDCs) that SBA is clarifying in policy that: (1) a borrower's outstanding loan balance under the 7(a) loan program, up to an including the maximum loan limit, does not reduce the maximum loan amount available under the 504 loan program, except as specifically provided in this Notice; and (2) a 504 Project may include multiple assets that are eligible be financed simultaneously.

Background

The 7(a) loan program is authorized under Section 7(a) of the Small Business Act (15 U.S.C. § 636(a)), and the 504 loan program is authorized under Title V of the Small Business Investment Act of 1958 (15 U.S.C. § 696). The maximum loan amount for the 7(a) program is established at 15 U.S.C. § 636(a)(3)(A): the gross loan amount for any individual 7(a) loan may not exceed $5,000,000, and the total outstanding SBA-guaranteed balance across all SBA loan programs to a single borrower (including affiliates) may not exceed $3,750,000, or $4,500,000 if it is a qualifying export loan. The maximum loan amount for the 504 program, however, is established separately at 15 U.S.C. § 696(2)(A)(i): the aggregate outstanding SBA debenture balance for a single borrower (including affiliates) may not exceed $5,000,000 for standard projects, or $5,500,000 for projects of small manufacturers or qualifying energy and renewable fuels projects.

To reduce or eliminate any programmatic barriers restricting or limiting access to SBA lending programs, SBA is recognizing the statutorily established independent limit of the 504 loan program, thereby allowing lenders to issue both 7(a) and 504 loans sequentially.

SBA has determined that further clarification is warranted to ensure that SBA employees, lenders, and CDCs apply these limits correctly and consistently—specifically, that a lender may first approve a 7(a) loan followed with a 504 transaction approved by the CDC second. By

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sequencing loans, a small business concern can, for example, use the 7(a) program to fund their working capital and light equipment while also using the 504 program to finance their facility.

To implement this clarification, SBA is revising Section C, Chapter 1, Paragraph D, "504 Debenture Terms and Conditions" (Page 351) to read as follows:

"D. 504 Loan and Debenture Terms and Conditions

The terms of the Third Party Loan are defined in 13 CFR § 120.921. Also see Paragraph B, Third Party Lender Participation of this Chapter.

1. Debenture Limits (Minimum and Maximum)

   13 CFR §§ 120.930 and 120.931

   Net Debenture Proceeds is defined in 13 CFR § 120.802 as the portion of Debenture proceeds that finance eligible Project costs (excluding administrative costs). The Gross Debenture is the Net Debenture Proceeds plus the eligible administrative costs. The Gross Debenture is subject to the following dollar limits and conditions:

   a. The minimum dollar amount for a debenture is $25,000. 13 CFR § 120.930(b)

   b. For all 504 Projects, the gross debenture is limited to an outstanding maximum balance of $5,000,000 in the aggregate for each small business concern, including its affiliates, except for Eligible Energy Public Policy Projects and Projects for Small Manufacturers in c. and d. below. SBA considers an EPC and an OC to be "one business" for this purpose. To calculate this limit include only all SBA 504 loans, committed or outstanding, that the Applicant and its affiliates have received.

   c. Eligible Energy Public Policy Projects

      $5,500,000 maximum for each eligible project. However, the total outstanding Gross Debentures issued for a small business concern, including affiliates, for Eligible Energy Public Policy Projects must not exceed $16,500,000 in the aggregate. Loans made for Eligible Energy Public Policy Projects do not reduce the $5,000,000 limit for each small business concern for other 504 Projects. Eligible Energy Public Policy Projects include:

      i. Paragraph A.2.a.i. of this Chapter: Projects for the reduction of existing energy consumption by at least 10%, and

      ii. Paragraph A.2.a.ii of this Chapter: Renewable energy sources that generate more than 15% of energy used at Project Facility.

   d. Projects for Small Manufacturers

      $5,500,000 maximum for each eligible project, defined as a business with its primary NAICS Code in Sectors 31, 32, and 33, and all of its production facilities are located in the United States."

Additionally, SBA is further clarifying that a 504 Project may include multiple assets that are eligible to be financed simultaneously, subject to 504 Debenture limits. This change is especially impactful for Small Manufacturers who may be purchasing a facility and a production line simultaneously and require independent financing for both assets.

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To implement this clarification, SBA is revising Appendix 3: Definitions (Page 409):

> **"Project:** (13 CFR § 120.802 504) The purchase or lease, and/or improvement or renovation of one or more long-term fixed assets by a small business, with 504 financing, for use in its business operations. Borrowers may finance multiple Projects simultaneously using separate 504 loans, subject to 504 Debenture limits. Note: This SOP uses the term Project for 7(a) also.
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> **Project Property:** (13 CFR § 120.802 504) One or more long-term fixed assets, such as land, buildings, machinery, and equipment, that are acquired or improved by a small business with a 504 transaction and for use in its business operations."

Questions

7(a) Lenders can submit questions regarding this Policy Notice 7aQuestions@sba.gov. CDCs and Third Party Lenders can submit their questions to 504Questions@sba.gov.

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Administrator

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