

DATE:	May 19, 2026
TO:	NADCO Members – please distribute to all appropriate personnel
FROM:	Wayne Williams – EVP, Regulatory Affairs & Training
SUBJECT:	Coordination of 7(a) and 504 for Maximum Loan Limits

Late yesterday, SBA released SBA [Policy Notice 5000-879058](#), effective July 4, 2026. The notice updates SOP 50-10-8 and clarifies that:

1. Outstanding 7(a) loans generally will no longer reduce the maximum SBA 504 debenture available to a borrower. Specifically, a lender may approve a 7(a) loan followed by a 504 transaction approved by a CDC. By sequencing the loans in this manner, the borrower’s existing 7(a) exposure will not count against the borrower’s available 504 debenture capacity, subject to applicable statutory 504 debenture limits. **While 7(a) loans will not count against 504 capacity, 504 loans will count against 7(a) capacity. Therefore, proper sequencing of SBA loans will be critical.**
2. Multiple 504 projects for a single borrower may be financed simultaneously, subject to applicable 504 debenture limits. For example, a small manufacturer needing financing for both real estate and production equipment may structure those needs as separate concurrent 504 projects, with each eligible project potentially qualifying for up to the \$5.5 million debenture limit.

The policy clarifications are intended to expand the ability of the 504 and 7(a) loan programs to work together in support of small business financing needs while providing additional flexibility for borrowers with multiple 504 capital expenditure projects.

What This Means in Practice

1. Expanded Combined SBA Financing Capacity

Borrowers may now be able to access substantially more total SBA-backed financing by properly combining the 7(a) and 504 programs. Example:

- A borrower obtains a \$5 million 7(a) loan for working capital, inventory, and light equipment.
- The same borrower subsequently obtains a separate SBA 504 project for owner-occupied real estate.
- The 504 debenture may still be eligible for up to:
 - \$5 million for standard projects, or
 - \$5.5 million for qualified manufacturers or eligible energy projects.

This clarification significantly expands the ability to pair operational financing with long-term fixed asset financing.

2. Greater Flexibility for Manufacturers and Large Expansion Projects

SBA now expressly recognizes that borrowers may finance multiple 504 projects simultaneously using separate 504 loans, subject to debenture limits. Example: A manufacturer may:

- Finance a new production facility under one 504 project, while simultaneously
- Finance a separate production line or major equipment package under another 504 project.

For eligible small manufacturers, each project may qualify for up to a \$5.5 million debenture. This flexibility may allow businesses to separate collateral pools, construction timelines, or project financing structures while still utilizing the 504 program.

To access this TI Memo or the SBA notice via the NADCO website, please click below.