Understanding SBA 504 Interest Rates

October 2026

EAGLE
COMPLIANCE LLC

SBA 504 Loan Program

- The SBA 504 Loan Program helps small business borrowers buy or build the major assets they need to grow, such as land, buildings, and long-lasting equipment. It offers long-term, fixed-rate financing that might not otherwise be available to small business borrowers.

- The program has a 40-year history of stable performance across multiple interest rate and economic cycles, including major market crises.

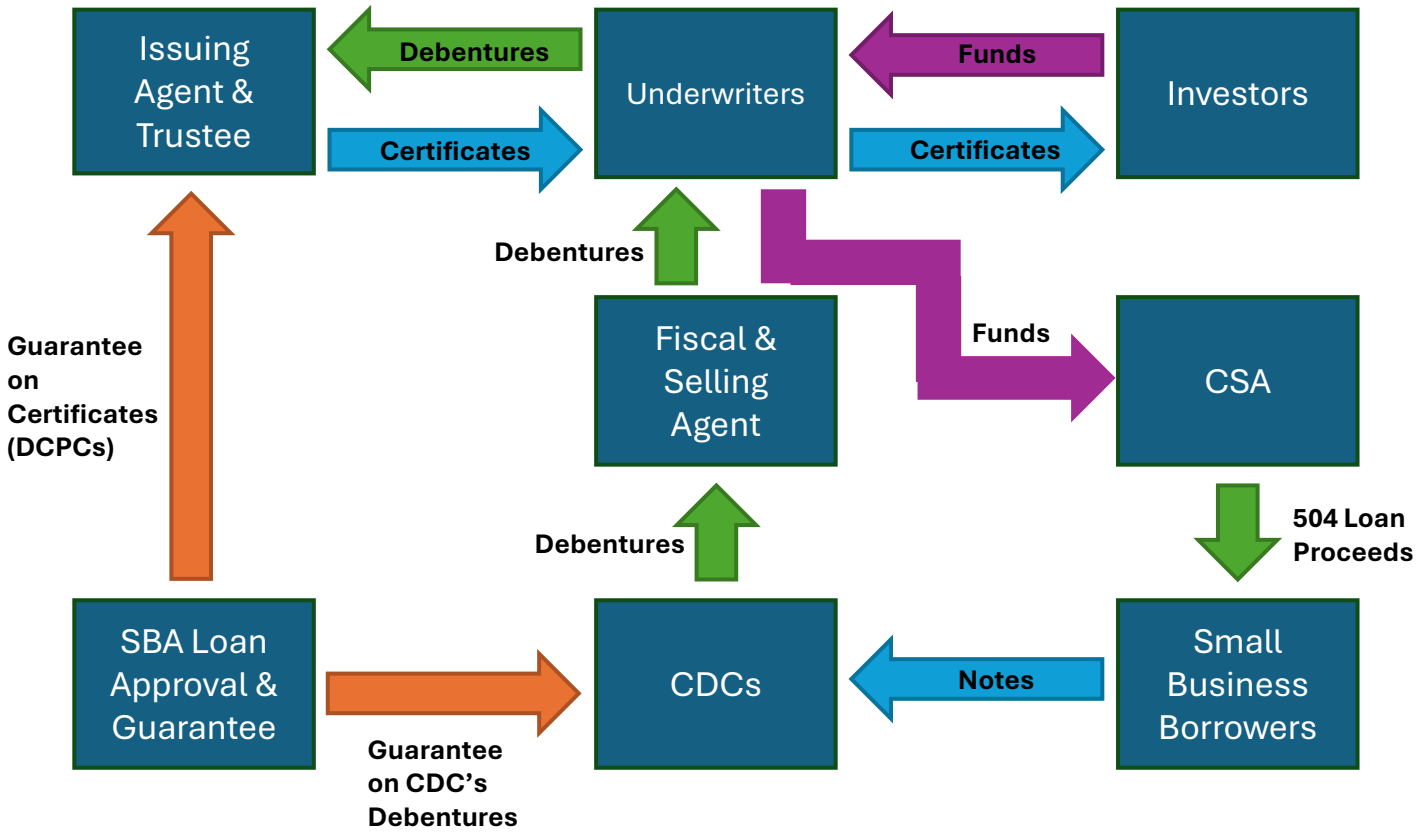
- The program is codified in Sections 503, 504, and 505 of the Small Business Investment Act (SBIA).

- The following information explains 504 interest rates and how they are set each month.

Who's Who: Capital Markets Team

- **Small Business Administration** – Guarantor of Debentures approved for funding (and DCPCs), approves funding amounts and the Debenture rates
- **Fiscal Agent/Selling Agent** – *Eagle Compliance LLC*. Manages the funding process for the SBA and CDCs to obtain the best monthly Debenture rate available for CDCs and therefore the best loan rate for the small business borrower
- **Underwriters** – *Stifel, Nicolaus & Company, Incorporated* and *BofA Securities, Inc*. Market, sell and trade DCPCs, pool Debentures, product research
- **Issuing Agent and Trustee** – *The Bank of New York*. Hold Debentures issued by CDCs, issues DCPCs as the SBA's agent, distributes P&I to DCPC holders, and reports outstanding pool statistics
- **Central Servicing Agent** – *Guidehouse, LLC*. Processes loans, reports new pool statistics to Eagle Compliance, collects loan payments, and pays out proceeds
- **Legal Counsel** – *Morgan Lewis, LLP*. Program and transaction legal advisors to the Underwriters and Eagle Compliance LLC

From Borrowers to Investors: The Process



Three Types of 504 Interest Rates

- **Debenture Rate:** The rate that determines interest paid semi-annually to investors in DCPCs.
- **Note Rate:** The monthly-pay equivalent of the debenture rate. Borrower P&I portion of monthly payments and principal amortization schedule are calculated using the Note Rate.
- **Effective Rates:** Rates calculated inclusive of P&I, CDC, borrower and CSA fees. Effective Rates are provided to CDCs on a full-term basis and in five-year segments.
- No APR type of rate is calculated.

How is the Debenture Rate Determined?

- The **Debenture Rate** is **=** the sum of the credit spread and offered side of the relevant U.S. Treasury benchmark rate.

- On the Debenture Pricing Day each month the Fiscal Agent and program Underwriters agree on the U.S. Treasury benchmark rate plus the credit spread for the debentures. The Fiscal Agent and Underwriters agree on the Debenture Rate with the SBA Contract Officer Representative and approval from Treasury is obtained. The Debenture Rate is then published to the Eagle website.

- Debenture Pricing Day is the first Thursday of first full week of the month. Consult the annual Funding Calendar for exact dates.

Debenture and Note Features Differ

Feature	Debenture	Note
Interest rate	Debenture Rate	Note Rate
Payment date	Semi-annual	Monthly
Amortization	Semi-annual	Monthly
Prepayment	Semi-annual	Semi-annual
Prepay penalty	Scheduled	Scheduled

Why Do the Features Differ?

- **Semi-Annual Debenture payments were chosen to appeal to government and corporate bond investors who expect semi-annual payments**. Small Business Borrowers make monthly payments.

- **The semi-annual prepayment restriction and prepayment penalties contained within 504 loans result in a much lower interest rate for small business borrowers.** The option to prepay at anytime without penalty would increase the debenture rate by another percentage point, if not more.

- Historically, about half of small business borrowers have prepaid their loans. **All borrowers should not pay a higher rate so some can prepay.**

- **Rich historical data appeals to investors.** 504 program boasts data since late 1986. This is a key selling point to investors.

How is the Note Rate Determined?

- The **Note Rate** is the monthly-pay equivalent of the Debenture Rate, it is typically about 6 bps higher than the Debenture Rate.

- Derivation: The semiannual Debenture P&I payment is calculated using the Debenture Rate. That Debenture P&I payment is then divided by 6 to calculate the monthly Note P&I payment. That monthly Note P&I payment is then used (with the other terms of the small business borrower loan (Original Principal Amount, Term, Monthly P&I payments, Fully Paid Off on Final Payment Date)) to solve for the Note Rate via an iterative process.

- Note Rates are published with the official monthly Effective Rates, typically the day following the Debenture Pricing Day.

Debenture Rate to Note Rate Conversion
25 Year 504 Loan - October 2026

Step 1:

- **Assuming a** 5.85% Debenture Rate, $1,000,000 Original Loan Amount, 25 Year Loan, Semi-Annual Payments, loan pays down to zero upon final payment
- **Inputs:** n = 50 (25 yrs. x 2 (semi-annual payments), i = 2.925 (Debenture Rate / 2), PV = 1,000,000, FV = 0
- **Solving** for PMT should result in -38,313.83

Step 2:

- **Revised Inputs:** n = 300 (25 yrs. x 12 (monthly payments)), PV = 1,000,000, FV = 0, PMT = -6,385.64 (-38,313.83 / 6, this converts the Step 1 semi-annual payment to a monthly payment)
- **Solving** for *i* results in 0.492161. To Annualize this result → 0.492161 x 12 = 5.9059% which is the Note Rate (within 0.001 point of CSA's reported rate for 10/2026).

- Financial Calculators (HP12C or TI BA II Plus) or an Excel Spreadsheet can be used to complete this calculation. Definitions:
  - n = Number of Periodic Loan Payments
  - i = Periodic Interest Rate
  - PV = Present Value = Original Loan Amount
  - FV = Future Value = 0 = All 504 loans fully amortize to zero at maturity
  - PMT = Periodic Principal and Interest Payment

How Are Effective Rates Determined?

- Monthly Effective Rates are determined by adding the impact of ongoing loan fees (i.e. CDC, Borrower, and CSA fees) with the Note Rate.

- The dollar amount (cost) of those ongoing fees are set/adjusted at the start of every five-years period; as small business borrower loans amortizes each month Monthly Effective Rates will increase throughout each five-year period as the ongoing fees are constant throughout the five-year period and the loan balance is decreasing. This phenomenon is particularly pronounced toward end of a loan when its principal balance becomes quite small.

- Effective Rates do not include the impact of upfront fees and therefore are not APRs.

- **Effective rate for any given month** =
  (interest+CDC+SBA+CSA)/base UPB x 1200.
  Where "base UPB" = opening UPB for each new monthly calculation (e.g. UPB at months 1, 61, 121, 181).

- Monthly annualized effective rates are then averaged (weighted by balance). CSA calculates the Note and Effective Rates each month for each debenture pool offered. Once received, Eagle Compliance publishes the rates via the Eagle Compliance website.

SBA 504 Loan Program Fees – Included in Effective Rate Calculation

- The Effective Rate is calculated using the Note Rate and three ongoing loan fees. Each fee is expressed as a percentage of the outstanding loan balance, the fees are collected monthly by the CSA, and the cost (dollar amount) of these fees is reset every five years.

  - **Ongoing SBA Guarantee Fee:** An annual fee on the unpaid principal balance that is incorporated into a borrower's monthly payment. The rate of this fee is set by the SBA before each fiscal year; it remains fixed for the life of the loan, the cost (dollar amount due each month) is recalculated every five years based upon the then outstanding loan balance.

  - **CDC Servicing Fee:** An annual fee of 0.625% to 1.0% on the outstanding loan balance that is incorporated into a borrower's monthly payment. A rate of up to 1.5% is allowed in rural areas, and up to 2% with SBA approval. SBA receives 0.125% of this fee, the remainder is paid to the CDC. This fee remains fixed for the life of the loan, the cost (dollar amount due each month) is recalculated every five years based upon the then outstanding loan balance.

  - **CSA Servicing Fee:** An annual fee of 0.10% on the outstanding loan balance that is incorporated into a borrower's monthly payment. This fee remains fixed for the life of the loan, the cost (dollar amount due each month) is recalculated every five years based upon the then outstanding loan balance.

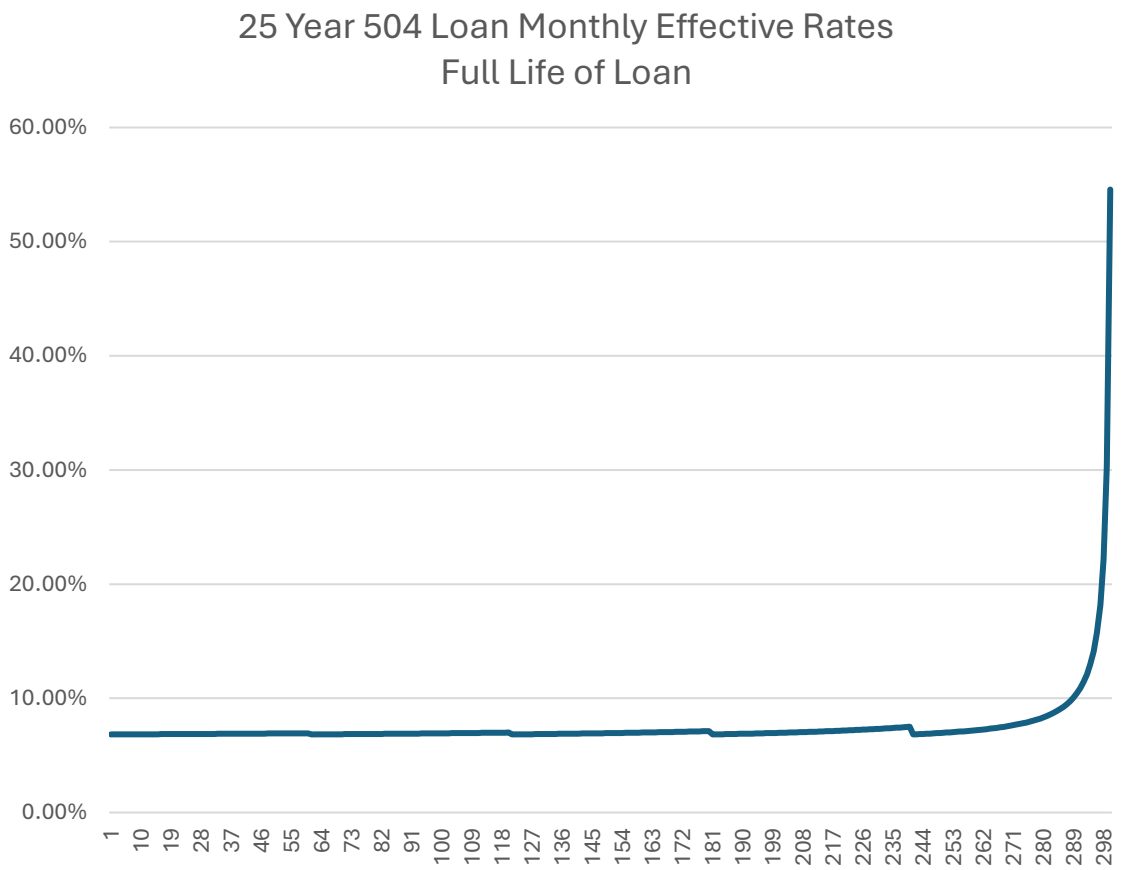
Periodic Effective Rate Example
25 Year 504 Loan - October 2026

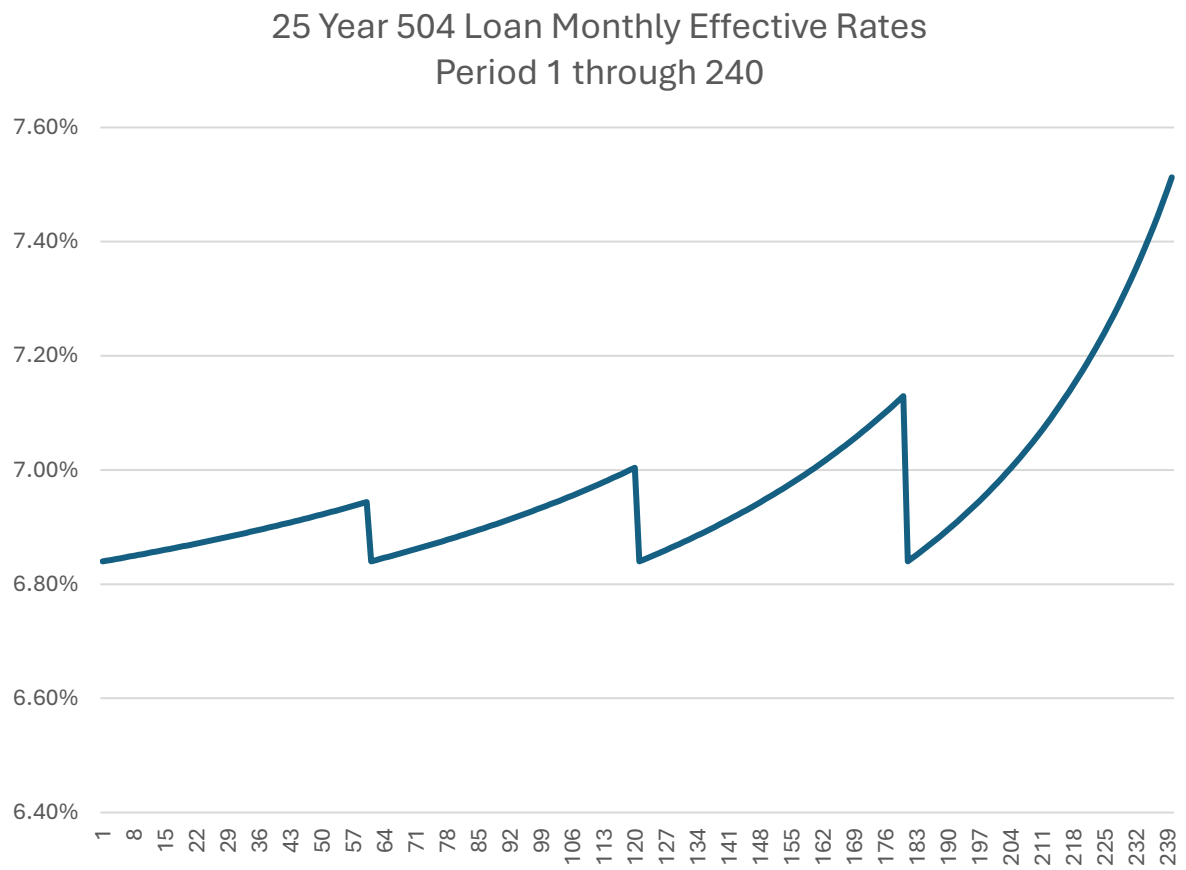
5.85% Debenture Rate | 5.9067% Note Rate | 6.984% Full Term Effective Rate

CDC Fee = .625% | SBA Fee= .209% | CSA Fee = .10%

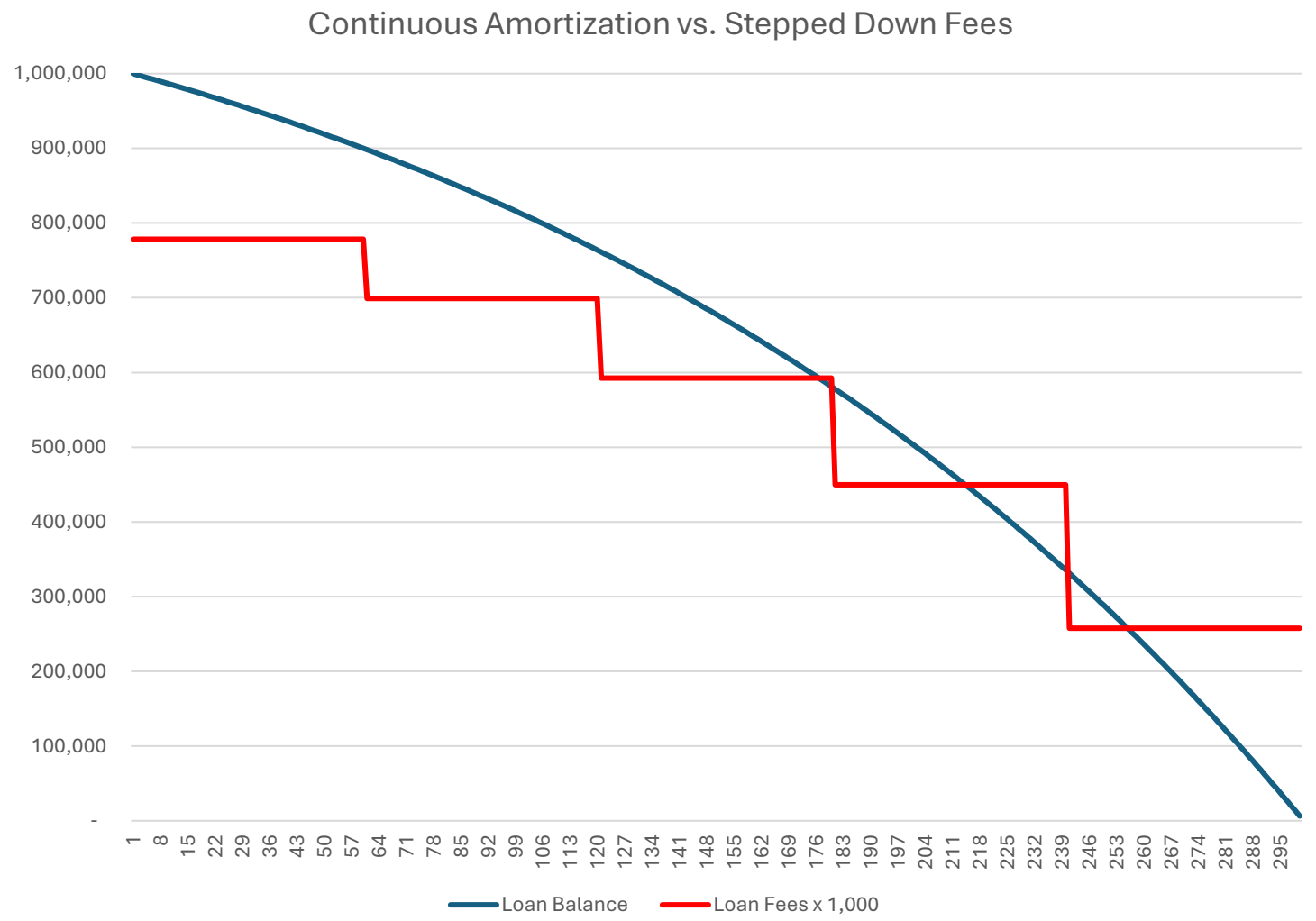
Pmt #	UPB	Interest	All Fees	Eff. Rate
1	1,000,000	4,922	778	6.84%
60	900,057	4,429	778	6.94%
61	898,101	4,420	699	6.84%
120	763,923	3,759	699	7.00%
121	761,298	3,746	592	6.84%
180	581,156	2,860	592	7.13%
181	577,631	2,842	449	6.84%
300	6	31	258	54.57%

Effective Rates Rise Over Time
25 Year 504 Loan - October 2026





Why Do Effective Rates Rise Over Time?



How Can You Estimate Effective Rates?

- Eagle Compliance LLC has created a tool to aid in determining estimated 504 Effective Rates and 504 payment estimates.
- The calculator can be found on the 504 Rate Calculator webpage, under the Commentary & Resources tab.
- The calculator is a downloadable excel spreadsheet that includes three separate tabs for 25-year, 20-year and 10-year debentures.
- *As a reminder*: The official Effective Rates are provided only by the Central Servicing Agent prior to each funding date. These calculators provide only estimates of the Effective Loan Rate and are not guaranteed for accuracy as Excel does not properly compute the initial, abbreviated six-month calculation.

Sample: 25-Year Effective Rate Calculator

25-Year 504 Estimated Payment and Effective Rates Calculator

NOTE: This calculator ESTIMATES only. For simplicity's sake, it ignores the partial 1st month effect on amortized principal and interest due.
It should be within a few BP of actual effective rates and close on payment amounts. CSA or Trustee figures are always official.

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REQUIRED INPUTS IN BLUE — **RESULTS IN GREEN**

Enter debenture rate and fees as decimal values (e.g. 5% as .05)

			Estimated	Estimated
Debenture Rate	**5.850%**	**Term**	**Effective Rates**	**Monthly Pmts.**
Loan Amount	**1,000,000**	1st 5 Years	6.880%	7,158.97
CDC fee	**0.625%**	2nd 5 Years	6.905%	7,080.17
Borrower fee	**0.203%**	3rd 5 Years	6.952%	6,974.38
CSA fee	0.100%	4th 5 Years	7.065%	6,832.34
Note Rate	5.906%	5th 5 Years	7.648%	6,641.65
Ending Balance	0.00	Full Term	6.974%	
		Cumulative Effective Rate		
		1st 5 Years	6.880%	
		1st 10 Years	6.892%	
		1st 15 Years	6.933%	
		1st 20 Years	6.908%	
		Full Term	6.974%	

=Penalty Schedule=		**===Estimated Penalty Amounts==**			
		"Pmt#" is monthly payment number			
Year	**Penalty**	**Pmt #**	**Amount**	**Pmt #**	**Amount**
1	5.8500%	6	58,067.54	66	25,979.17
2	5.2650%	12	57,534.37	72	25,621.27
3	4.6800%	18	51,286.74	78	20,202.13
4	4.0950%	24	50,777.77	84	19,898.44
5	3.5100%	30	44,669.86	90	14,689.25
6	2.9250%	36	44,189.99	96	14,447.65
7	2.3400%	42	38,233.80	102	9,465.89
8	1.7550%	48	37,788.43	108	9,295.05
9	1.1700%	54	31,996.93	114	4,559.55
10	0.5850%	60	31,592.02	120	4,468.95

Pmt #	Beginning Principal	Scheduled Principal	Scheduled Interest	Monthly Fees	total pmt	Closing Balance	25-yr Rate	penalty			
0					1,000,000.00				openUPB*rate		
1	1,000,000.00	($1,464.02)	($4,921.61)	(773.33)	($7,158.97)	998,535.98	6.83%	58,500.00	68,339.38	SA deb	$38,313.83
2	998,535.98	($1,471.23)	($4,914.41)	(773.33)	($7,158.97)	997,064.75	6.84%	58,414.35	68,252.91	m/pmt	$6,385.64
3	997,064.75	($1,478.47)	($4,907.17)	(773.33)	($7,158.97)	995,586.28	6.84%	58,328.29	68,166.02		
4	995,586.28	($1,485.75)	($4,899.89)	(773.33)	($7,158.97)	994,100.53	6.84%	58,241.80	68,078.71		
5	994,100.53	($1,493.06)	($4,892.58)	(773.33)	($7,158.97)	992,607.47	6.84%	58,154.88	67,990.96		

EAGLE COMPLIANCE LLC

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