SBA 504 Debt Refinance Program Advantages

BORROWER ADVANTAGES

Improves Cash Flow
Re-amortizing the loan lowers the payment, increasing cash flow that can be used by the borrower to grow business. Up to 90% LTV when refinancing for rate and term.

Cash Out – Tap the Equity
Borrower can access up to 85% LTV of their property value and get cash out for eligible business expenses.

Access Low Fixed Interest Rates
The SBA 504 is *"Main Street's Window to Wall Street"* and borrower is able to access low, fixed 20-year interest rates.

Loan Coming Due?
Balloon coming due and worried about finding a home for the loan? SBA 504 provides an attractive refinance solution.

LENDER ADVANTAGES

Reduces Exposure
Approvals are easier with a 50% LTV bank loan and SBA behind you in second position.

Frees Up Lending Availability
Refinancing an existing borrower can free up opportunities for you to lend to them again.

Marketing Opportunity – Grow Your Portfolio
Finding deals in this market can be difficult, ask us how the 504 refinance can grow your portfolio.

SBA 504 REFINANCE ADVANTAGES

Project Based on 90% of Appraised Value (85% for Cash Out)
Refinance existing property debt or pull cash out of the property - SBA 504 Refinance can do both.

No "Extra" Injection for Special Use Properties
Hotels, motels, mini-storages, restaurants and all special use properties are eligible for 90% LTV financing.

Borrower Contribution is Equity
In most cases, the borrower will not have to come out-of-pocket with cash as long as they have equity.

We Want You to Succeed
Need help with an eligibility question or how to structure a project? Need us to meet with you and your borrower? We support you in person, via phone, text and email.

QUICK 504 REFINANCE LOAN QUALIFICATION

- ✓ Is the loan at least two years old?
- ✓ Is it owner-occupied (51%+ on purchased building)?
- ✓ Has the business been current on the debt to be refinanced for the past 12 months?
- ✓ Is the debt to be refinanced originally used for the purchase / improvements of fixed assets?
- ✓ Program cannot refinance SBA or USDA loans
- ✓ Job requirement same as the normal 504 program

⇨ NEXT STEP – Contact Valerie at SCED to Discuss Your SBA 504 Refinance Project

SBA 504 Debt Refinance Program Requirements

ELIGIBLE BUSINESSES

- For profit business in operation for at least 2 years at time of application
- No change in ownership in prior 2 years
- Must occupy at least 51% of project real estate
- Job requirements are the same as normal 504 program

DEFINITION OF ELIGIBLE REFINANCE

Qualified Debt

- Every 504 Refinance must have Qualified Debt
- Originated at least 2 years prior to application
- 85% of more of the original debt must have been used for 504-eligible purposes: to acquire land & buildings, construct or renovate buildings, or purchase equipment
- Subsequent refinancing, including cash out, of the original debt is permitted
- Payments current for prior 12 months (less than 30 days past due)

Other Secured Debt

Debt secured with the same asset as Qualified Debt and payments current for prior 12 months (less than 30 days past due)

Business Operating Expenses

Any other secured or unsecured liability and/or future business expenses to be incurred in the next 18 months (i.e. cash out)

90% LTV PROJECT STRUCTURE

- 90% LTV when refinancing Qualified Debt and Other Secured Debt
- Project structure is based on appraisal
- Loan approval can be made subject to appraisal
- Borrower's 10% equity represents equity in the project assets, other collateral or cash

85% LTV PROJECT STRUCTURE – CASH OUT

- 85% LTV when refinancing includes Business Operating Expenses
- Business Operating Expenses cannot exceed 25% of refinance project (i.e. appraised value)
- Project structure is based on appraisal
- Loan approval can be made subject to appraisal
- Borrower's 15% equity represents equity in the project assets, other collateral or cash

A LOAN IS NOT ELIGIBLE FOR REFINANCE IF. . .

- Loan with a federal guarantee (e.g. 7(a), 504, USDA)
- Third Party Loan on an existing 504 project
- Debt to be refinanced is owed to an Associate of the Borrower
- The existing creditor is in a position to sustain loss and refinanced would shift all or part of the potential loss to SBA

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