

SBA 504

REFINANCE PROGRAM

AN INSIDER'S GUIDE

WHAT IS THE 504 REFINANCE PROGRAM?

Co-Lender financing designed to refinance existing commercial real estate or machinery/equipment debt with low, fixed interest rates at 10, 20, or 25-year terms.

WHO CAN QUALIFY?

- Most for-profit, small businesses in the U.S.
- Businesses with at least two years of operations and whose debt is at least 6 months old.
- Net worth less than \$15.0 million
- Net profit after tax (2 year average) of no more than \$5.0 million (including affiliates)
- Business must occupy at least 51% of its property at the time of application

BENEFITS FOR LENDERS

- 1st lien position and low Loan-to-Value strengthens private lender's loan portfolio
- Fixed interest rate helps lenders compete for more business
- Locks in long-term relationship with borrower and frees up available debt.

BENEFITS FOR BORROWERS

- Financing available up to 90% of the appraised value of the property being refinanced at a long-term, fixed-rate
- Equity contribution can be as little as 10% of the property's value.

INTEREST RATE AND TERMS

- Fixed-Rate - based on Treasury Rates
- Real Estate - may be 10, 20, or 25-year term
- Machinery & Equipment - may be 10, 20, or 25-year term (based on useful life)

ELIGIBLE USE OF FUNDS

- Businesses may use extra equity for the financing of other eligible business expenses up to 20% of the appraised value.
- Examples of eligible business expenses may include salaries, rent, utilities, inventory, and credit card debt (if the card is in the name of the business and used for business purposes only).
- Businesses may use an SBA 504 refinance loan to repay an existing government guaranteed loan (including SBA/USDA, etc. loans).
- Debt refinance with expansion cannot exceed 100% of the new expansion dollars (up from 50% cap previously).
- The original use of proceeds for any note, conventional or SBA, must have been 85% used for SBA eligible expenses.
- The new debt must show a 10% substantial benefit to the borrower.
- Existing SBA lender must provide a statement that they are unwilling or unable to modify the existing loan themselves.

MAXIMUM GROSS DEBENTURE (SBA PORTION)

- The combined third party loan and the 504 net debenture may not exceed (1) 90% of the appraised value of the 504-eligible fixed assets or (2) 85% of the appraised value if equity is withdrawn, unless other business assets are included.



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