

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.
- Tangible net worth less than \$15.0 million
- Net profit after tax (2 year average) of no more than \$5.0 million (including affiliates)
- Businesses with at least two years of operations and whose debt is at least 6 months old (projects without expansion only).
- Business must occupy at least 51% of its property at the time of application

REFINANCE PROJECTS WITHOUT EXPANSION

- Businesses may withdraw 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).
- At least 75% of original proceeds must have been used for eligible fixed assets.
- The refinance must provide a substantial benefit to the borrower.

REFINANCE PROJECTS WITH EXPANSION

- The amount of debt eligible for refinance may equal 100% of the expansion costs.
- The original use of proceeds for any note, conventional or SBA, must have been 85% used for eligible fixed assets.

MAXIMUM LOAN-TO-VALUE

- 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exceed (1) 90% of the appraised value of the 504-eligible fixed assets or (2) 85% of the appraised value if equity is withdrawn, subject to SBA 504 loan program maximum loan amounts.

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 or 20-year term (based on useful life)

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 and can include equity in the property being refinanced.



Terms and conditions apply. Contact your local Business Development Officer for more details.

HEADQUARTERS

4330 GAINES RANCH LOOP, SUITE 220
AUSTIN, TEXAS 78735
TEL 512.327.9229
WWW.CAPITALCDC.COM

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TEXAS, NEW MEXICO AND ARKANSAS

