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SBA 504 REFINANCE PROGRAM

Boost Loan Production

Key Changes To SBA Refinance Without Expansion

As of 11/13/2023

- Refinancing existing government guaranteed debt is now easier. SBA still requires a 10% or greater savings when comparing existing to proposed annual debt costs; however the existing lender only needs to be notified of the proposed refinance. Previously, the existing lender needed to provide an acknowledgement of its unwillingness or inability to change terms of the existing debt.
- The requirement that at least 85% of the original use of proceeds of the debt being paid off was used for eligible fixed assets has been reduced to 75%.
- SBA will now consider releasing other collateral (machinery & equipment) that the existing or original lender may have used to secure the loan if the subject real estate provides sufficient Loan to Value.

Eligible Project Costs

- Fees associated with the SBA 504 Refi – appraisal, environmental, title, points/ interest on interim financing – can be incorporated into the new loan.
- Any expense of the small business due now or within the next 18 months of the SBA 504 loan application can be incorporated into the new Refi loan as working capital.

Existing Policies that Remain

- Can refinance one or more commercial loans that are secured by the same "Eligible Fixed Asset."
- Maximum refinance LTV - 90% of the value of collateral pledged for existing mortgage. If proposed collateral's appraisal value is below 90%, cross collateralization of other fixed assets is allowed to get to prerequisite 90%.
- Maximum refinance LTV - 85% of the value of collateral pledged when refinance request also includes working capital (WC). The aggregate amount of WC cannot exceed 20% LTV. Each CRE asset included must have qualifying RE debt being refinanced and undergo assessment for allowable WC.
- Business must be operating for 2 or more years with no full or partial ownership changes that would make the business be considered "New".
- Appraisal is not required to submit the refinance application to SBA, but will be a condition of funding.
- Business must be at 51% occupancy at the time of application submission.
- Refinancing may include prepayment penalties and or other fees associated to pay off of existing qualified debts assuming loan to value caps noted above are not exceeded.

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SBA 504 REFINANCE ELIGIBILITY

Working Capital Business Expenses

The following expenses are not defined as working capital costs under the SBA 504 Refi program:

- Acquiring a new business, commercial real estate or equipment
- Paying down an owner's personal expenses or retiring owner's personal debts
- Change of ownership with buyout or buy down of co-owner
- Paying off or paying down debts owed by small business to its ownership

Evaluate Eligibility

1 Prequalify your client

- With pre-qualification, business applicant meets all SBA eligibility standards for qualifications, size, use, occupancy, for a standard 504 loan

2 Qualifying Existing Debt

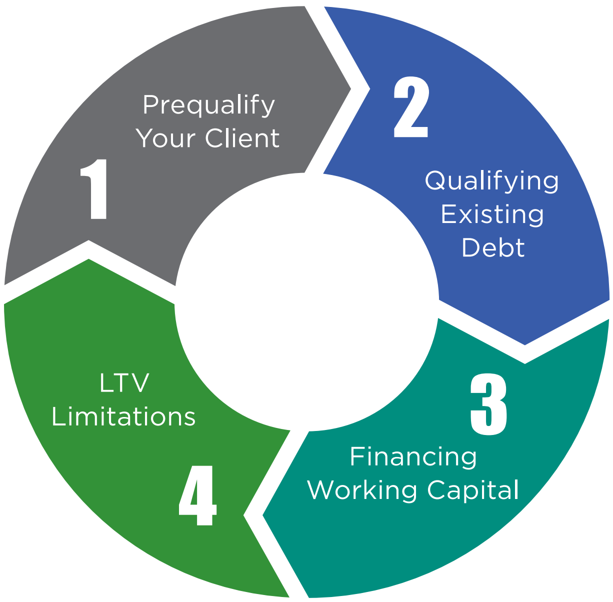
- Substantially all proceeds loan (75%) were used for 504 eligible costs. If a previously refinanced loan had cash taken out, it can still meet the SBA qualifying factors. Talk to your loan officer and allow them to quickly qualify the refinance request and determine SBA eligibility; you may be surprised as to the options you still have available.
- 6-month-old debt/payments current and/or on approved plan paid as agreed.
- Qualified Debt(s) is collateralized by an SBA Eligible Asset

3 Financing Working Capital

- These costs are limited to 20% LTV. This can be impacted if the Qualified Debt (mortgage) is greater than 65% LTV.

4 LTV Limitations

- Mortgage or secured debts on same asset - Max 90% LTV
- Mortgage plus working capital - Max 85% LTV



Get Started — Prequalify Your Clients In 24 Hours

Work with your CDC Small Business Finance loan expert to get started

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