

# SBA 504 REFINANCE PROGRAM



Small Business Finance

## BOOST LOAN PRODUCTION

### KEY GUIDELINES

- Can refinance one or more commercial loans that are secured to 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 mortgage refinance request also includes working capital. The aggregate amount of working capital cannot exceed 20% LTV. Implies you cannot add more CRE assets simply to increase Working Capital (WC) access. Each CRE asset you include must have qualified RE debt that is being refinanced and then you go through the assessment for each RE asset to determine allowable WC.
- Loan(s) to be refinanced must be at least 24 months old and in good standing for the last 12 months. The Loan(s) cannot have been on deferment in the last 12 months.
- Business must be operating for 2 or more years with no full or partial ownership changes prior to application.
- Appraisal is not required to submit refinance application, but will be a condition of funding.
- Business must be at 51% occupancy at the time of application submission.

### 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 now due to becoming due within 18 months of the SBA 504 loan application can be incorporated into the new Refi loan as working capital.

### 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

- Use our 4 Step tool to determine if your client is eligible. See page 2 for details.

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## GET STARTED - PREQUALIFY YOUR CLIENTS IN 24 HOURS

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

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# SBA 504 REFINANCE ELIGIBILITY



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## EVALUATION

### 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

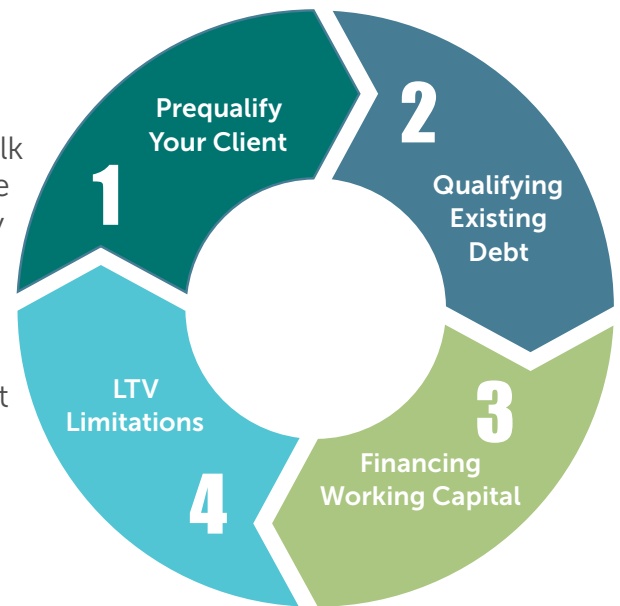
- Substantially all proceeds loan (85%) were used for 504 eligible costs. If a previously refinanced loan had cash taken out, it can still meet the SBA qualifying factors. Talk to your loan officer and allow them to quickly qualify the refinance request and determine SBA eligibility; you may be surprised as to the options you still have available.
- 2 year old debt/payments current for 12 consecutive months
- Qualified Debt(s) is collateralized by an SBA Eligible Asset
- Not subject to a Federal guarantee (i.e. USDA, 7a, 504)
- SBA 504 Refi package is limited to 90% LTV

#### 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.
- SBA 504 Refi package is limited to 85% LTV

#### 4. LTV Limitations

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



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