

# SBA 504 REFINANCE PROGRAM



Small Business Finance

## BOOST LOAN PRODUCTION

### KEY GUIDELINES

#### NEW POLICIES (as of 07/29/2021)

- Can now refinance existing government guaranteed debt with certain eligibility conditions:
  - 10% or greater costs savings when comparing existing to proposed annual debt costs.
  - Existing lender is required to be notified of refi and has to provide written acknowledgment of unwillingness or inability to change terms of existing debt.
- Removed the seasoned loan condition of 2 years and lowered seasoned to within 6 months of application.
- Modified requirement of currency on all existing debt loan payments prior to 12 months of application to allow inclusion of applicants who entered into a loan deferral or other approved payment plan; must be current and paid as agreed on modified payment plan and demonstrate risk of loss is simply not shifted to the government.
- For refinance requests with a proposed expansion - Increased the amount of existing qualified indebtedness that may be refinanced within 504 loan proposed structure from 50% to 100%.

#### EXISTING POLICIES THAT REMAIN

- 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 (WC). The aggregate amount of WC cannot exceed 20% LTV. Implies you cannot add more CRE assets simply to increase 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.
- 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.
- Refinancing may include prepayment penalties and or other fees associated to pay off of existing qualified debts dependent on collateral value pledged to secure loan and the credit worthiness of applicant(s).

### 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.

# SBA 504 REFINANCE ELIGIBILITY



Small Business Finance

## 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

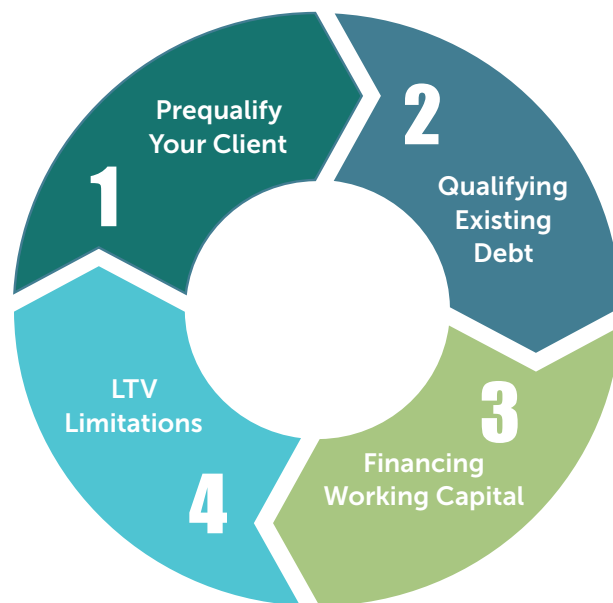
- Substantially all proceeds loan (85%) were used for 504 eligible costs. If a previously refinanced loan had cash taken out, it can still meet the SBA qualifying factors. Talk to your loan officer and allow them to quickly qualify the refinance request and determine SBA eligibility; you may be surprised as to the options you still have available.
- 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