

SBA 504 REFINANCE

QUICK REFERENCE GUIDE



WHAT IS THE

SBA 504 REFINANCE PROGRAM

The 504 Refinance Program helps strengthen banks by reducing their lending exposure, while also providing a lifeline to businesses with balloon payments coming due.

Small business owners can use the long-term, fixed rate 504 Loan Program to refinance existing commercial mortgages. This is huge considering the current trends are pointing toward tighter credit standards and higher interest rates.



3 KEYS TO THE REFINANCE PROGRAM

1

CASH OUT

85%
Advance Rate

2

NO CASH OUT

90%
Advance Rate

3

CREDIT QUALITY

Minimum 12 month history
of no late (30+) payments

★ 4 QUICK QUALIFIERS ★



Is the loan at least
two years old?



Is the property
being refinanced at
least 51% owner-
occupied or long-
term equipment?



Was the debt to
be refinanced
originally used for
the purchase or
improvement of
fixed assets?



Has the business
been current on
the debt to be
refinanced for the
past 12 months?



Small businesses can refinance debt, reduce a line of credit or payables, and obtain working capital using a 504 Loan

GET TO KNOW THE 504 REFINANCE PROGRAM



LOAN STRUCTURE SCENARIOS

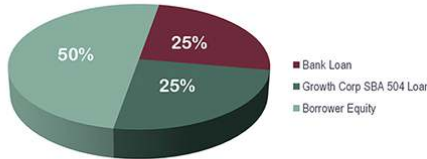
EXAMPLE 1

REFINANCING A CONVENTIONAL LOAN

- Borrower seeks to refinance an existing \$1 million commercial real estate loan
- The property appraises at \$2 million
- An acceptable loan structure would be:

APPRAISED VALUE	\$2,000,000
OUTSTANDING DEBT	\$1,000,000

LOAN STRUCTURE		
BANK LOAN	25%	\$500,000
GC SBA 504 LOAN	25%	\$500,000
BORROWER EQUITY	50%	\$1,000,000
TOTAL REFINANCE	100%	\$2,000,000



COMMENTS: The new third party loan must be equal to, or greater than, the SBA 504 debenture amount, at least \$500,000 in this example.

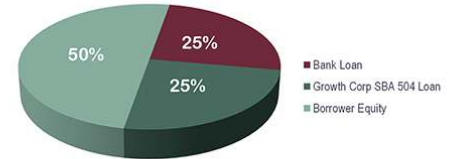
EXAMPLE 2

REFINANCING MULTIPLE LOANS

- Borrower seeks to refinance an existing \$200,000 commercial mortgage, plus an \$800,000 second mortgage borrowed five years ago for 504 eligible business purposes
- The property appraises at \$2 million
- An acceptable loan structure would be:

APPRAISED VALUE	\$2,000,000
OUTSTANDING DEBT	\$200,000
OTHER SECURED DEBT	\$800,000

LOAN STRUCTURE		
BANK LOAN	25%	\$500,000
GC SBA 504 LOAN	25%	\$500,000
BORROWER EQUITY	50%	\$1,000,000
TOTAL REFINANCE	100%	\$2,000,000



COMMENTS: Both the original first mortgage and the existing second mortgage can be combined. The new third party loan must be equal to, or greater than, the SBA 504 debenture amount, at least \$500,000 in this example.

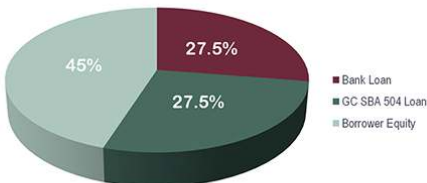
EXAMPLE 3

CASH OUT FOR ELIGIBLE BUSINESS EXPENSES

- Borrower seeks to refinance an existing \$200,000 commercial mortgage, plus an \$800,000 second mortgage borrowed five years ago for 504 eligible business purposes
- The property appraises at \$2 million
- An acceptable loan structure would be:

APPRAISED VALUE	\$2,000,000
QUALIFIED CRE DEBT	\$600,000
BUSINESS OPERATING EXPENSES	\$500,000

LOAN STRUCTURE		
BANK LOAN	27.5%	\$550,000
GC SBA 504 LOAN	27.5%	\$550,000
BORROWER EQUITY	45%	\$900,000
TOTAL REFINANCE	100%	\$2,000,000



COMMENTS: The Refinance Program can be used for both restructuring qualified debt and accessing equity for business operating expenses. While the total refinance request does not exceed 85% LTV, only \$500,000 of the \$800,000 requested can be included because the total amount for operating expenses cannot exceed 25% of the appraised value.

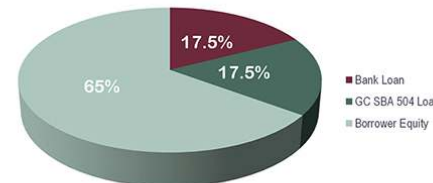
EXAMPLE 4

CASH OUT FOR ELIGIBLE BUSINESS EXPENSES

- Borrower seeks to refinance \$200,000 in existing qualified commercial real estate debt, plus \$1.3 million for business operating expenses, some of which will be incurred in the next six months.
- The property appraises at \$2 million
- An acceptable loan structure would be:

APPRAISED VALUE	\$2,000,000
QUALIFIED CRE DEBT	\$200,000
BUSINESS OPERATING EXPENSES	\$500,000

LOAN STRUCTURE		
BANK LOAN	17.5%	\$350,000
GC SBA 504 LOAN	17.5%	\$350,000
BORROWER EQUITY	65%	\$1,300,000
TOTAL REFINANCE	100%	\$2,000,000



COMMENTS: The Refinance Program can be used for both restructuring qualified debt and accessing equity for business operating expenses. While the total refinance request does not exceed 85% LTV, only \$500,000 of the \$1.3 million requested can be included because the total amount for operating expenses cannot exceed 25% of the appraised value.