



# ENHANCEMENTS TO 504 LENDING

ECONOMIC AID ACT | RELIEF, RECOVERY AND BEYOND

## SBA Payment Subsidies Round 2 Section 1112 Payments

- For loans approved February 1, 2021 through September 30, 2021, or until the appropriated funds run out
- Three months of payments made by SBA on behalf of the borrower
- Payments capped at \$9,000 per month per loan for three months
- Covers principle, interest and fees
- Payment subsidies are not considered taxable income on a federal level - state and local taxes may apply

## Temporary Fee Eliminations

- For loans approved December 27, 2020 through September 30, 2021, or until the appropriated funds run out
- Elimination of 0.5% Third Party Lender Fee
- Elimination of 1.5% CDC Fee

## FY21 FEES

*A Breakdown of What to Expect and When*

*Eliminated* →

*Eliminated* →

	Upfront Out-of-Pocket Costs	Fees Included in the 504 Loan Amount	Fees Included with the Interest Rate
Application Deposit   \$1,000	•		
Closing Deposit   1% of 504 portion, \$2,500 minimum	•		
<i>Eliminated</i> → Fee to Bank   0.5% of the First Mortgage	•		
Legal Fee   \$2,500		•	
<i>Eliminated</i> → CDC Processing Fee   1.5% of 504 Portion		•	
Guaranty Fee   0.50% of 504 portion		•	
Loan Service Agent Fee   0.25% of 504 portion		•	
Bond Underwriter Fee   0.4% of 504 portion		•	
CSA Fee   0.1%			•
SBA Subsidy Fee   0.4517% (Refi: 0.4865%)			•
CDC Fee   0.625% of 504 portion			•

## MORE ENHANCEMENTS COMING SOON | PENDING SBA RULE-MAKING

### Express Loans for ALP Lenders

- Only ALP-CDCs will be granted authority to approve, authorize, close and service 504 loans of \$500,000 or less
- Subject to SBA's review of eligibility
- Expires on September 30, 2023

### 504 Refinance with Expansion

- Increase in cap on amount of existing debt eligible from 50% of expansion costs to 100% of expansion costs, increasing use of 504 loan pricing up to 25% of the project's value

### 504 Refinance without Expansion

- Elimination of prohibition on refinancing any government-guaranteed debt
- Qualified debt must be at least 6 months old to be eligible for refinance - down from 2 years
- Elimination of requirement that the loan must have been current for not less than one year prior to application date
- In terms of job creation, existing jobs may be counted as jobs retained (full-time and full-time equivalent jobs allowed)

### Refinancing Senior Project Debt

- During the 1-year period following enactment of the law, a CDC can process a cash-out subordination to re-leverage the TPL loan to a total 90% loan-to-value when combined with the outstanding balance on the existing 504 loan
- Helps clients looking to restructure the 1st and release working capital for business operating expenses