CONSOLIDATE AND REFINANCE DEBT
REFINANCING SOLUTIONS
SBA 504 Loan Program

504 REFINANCE IS GREAT FOR:

- Accessing cash/working capital
- Pending balloon payments
- Stretching payments out over a long loan term
- Consolidating multiple loans
- Minimizing out-of-pocket costs

BENEFITS FOR BORROWERS

- Equity in the collateral often fulfills the down payment requirement
- Low, fixed interest rate on 504
- Long loan term (up to 25 years)
- Access cash in the building
- Consolidate multiple loans
- Payment stability
- Improves cash flow
- Protection from balloon payments

KEY POINTS

- **Cash-out: 85% LTV**
  - *up to 20% of the appraised value as cash out for qualifying business expenses*
- **No Cash-out: 90% LTV**
- Appraisal: prefer at application and required for funding
- Loans with goverment guarantees may be eligible (7(a), 504, USDA)
- Other assets can be used as collateral for LTV (if no cash-out)
- Must still meet all other SBA eligibility guidelines
- Same insitution debt refinancing is eligible

ELIGIBLE BUSINESSES

- Must be a for-profit, owner-occupied small business in the U.S.
- In operation for at least 2 years
- Meets all other SBA eligibility requirements
- Property being refinanced at least 51% owner-occupied -OR- is long-term equipment

QUALIFIED DEBT

- Mortgage to be refinanced must be at least 6 months old*
- Substantially all of the debt to be refinanced (85%) must originally have been used for the purchase or improvement of fixed assets
- Property to be refinanced must be owner-occupied
- Can be a government-guaranteed loan (7a, 504) under certain conditions
- For 504 refinancing with expansion, existing, qualified debt eligible up to 100% of expansion costs

New in 2021

CASH OUT: ELIGIBLE USES

- Salaries
- Rent, Repairs, Maintenance
- Inventory, Utilities
- Reduce a line of credit
- Other obligations of the business that were incurred, but not paid, prior to the date of application or that will become due for payment within 18 months after the date of application, or to pay off/down business lines of credit or business credit cards

CASH-OUT: INELIGIBLE USES

- Owner's personal expenses
- Acquiring a new business
- A change of ownership with partner buyout
- Capital expenditures

INTEREST RATE & TERMS

- Fixed-rate
- Fully amortized over the life of the loan (no balloons)
- Real estate – 10-, 20-, or 25-year terms are available
- Rate locked when debenture is sold
- Effective rate for refi is 0.0154% higher than regular 504 loan due to higher servicing fees

JOB CREATION/RETENTION

- One job for every 90,000 of the debenture (for most projects)
- One job for every 140,000 of the debenture (for manufacturers)
- Projects are excluded from the job requirement goals if a Public Policy Goal is fulfilled (see below)
- Alternate job retention standard reinstated

PUBLIC POLICY GOALS

- Rural development
- Expansion of a Minority, Woman or Veteran-Owned Business
- Enhanced economic competition
- Expansion of exports
- Business district revitalization
- Labor surplus areas
- Generating renewable energy or reducing energy consumption 10%+

LOAN STRUCTURE

- $5 million limit on 504 portion (typical projects; $5.5 million manufacturers)
- Bank's loan must be equal to, or greater than, the SBA 504 debenture amount
- Cash out cannot exceed 20% of appraised value

GROWTH CORP

Refi Structuring

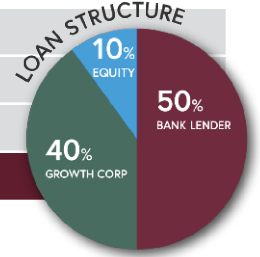## REFINANCE STRUCTURE 1: NO CASH OUT

- Refinancing: Existing $1.8 million commercial real estate loan
- Property appraises at $2M

Appraised Value	$2,000,000
Outstanding Debt	$1,800,000

LOAN STRUCTURE

Bank	50%	$1,000,000
SBA 504 (Growth Corp)	40%	$800,000
Borrower Equity	10%	$500,000
Total Refinance	**100%**	**$2,000,000**

LOAN STRUCTURE

10% EQUITY
50% BANK LENDER
40% GROWTH CORP

COMMENTS: The third-party loan must be equal to, or greater than, the SBA 504 debenture amount. The SBA piece cannot exceed 40% of the appraised value.

REFINANCE STRUCTURE 2: CASH OUT

- Refinancing: Existing $1 million CRE loan, $400 thousand cash-out
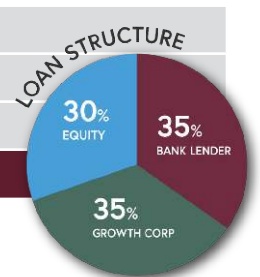- Property appraises at $2M

Appraised Value	$2,000,000
Qualified CRE Debt	$1,000,000
Business Operating Expenses	$400,000

LOAN STRUCTURE

Bank	35%	$700,000
SBA 504 (Growth Corp)	35%	$700,000
Borrower Equity	30%	$600,000
Total Refinance	**100%**	**$2,000,000**

LOAN STRUCTURE

30% EQUITY
35% BANK LENDER
35% GROWTH CORP

COMMENTS: The LTV does not exceed 85% and the cash-out portion does not exceed 20% of the appraised value

The 504 Loan Program is partnership at its best. There's simply no other product on the market that offers entrepreneurs an affordable way to grow their business, gives banks a low-risk addition to their menu of lending solutions and promotes job growth and economic development in communities across the country.

Growth Corp is a not-for-profit Certified Development Company (CDC) empowered by the U.S. Small Business Administration to marshal the 504 Loan Program to small businesses throughout the state of Illinois, and parts of Missouri, Indiana, Iowa and Kentucky. Growth Corp is focused exclusively on local economic development and job creation.

GROWTH CORP