



SBA 504 DEBT REFINANCING ENHANCEMENTS

A Brief Summary of What Has Changed

Refinance Rules	What Changed?
<p>QUALIFIED DEBT</p> <ul style="list-style-type: none"> • Mortgage to be refinanced is 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 at least 51% owner-occupied or is long term equipment • Can be a government-guaranteed loan (7a, 504) under certain conditions* 	<ul style="list-style-type: none"> * Mortgage to be refinanced can now be 6 months old to be eligible for refinance - down from 2 years * Allows the refinance of existing government-guaranteed debt under certain conditions - 7(a), USDA, 504, etc. were formerly ineligible <ul style="list-style-type: none"> - The refinancing of any federally-guaranteed debt must provide a "substantial benefit" to the borrower – minimum 10% savings on the new installment amount attributable to the debt being refinanced (must include prepayment penalties, financing fees, and other financing costs). <i>NOTE: a balloon payment due within the next 5 yrs would automatically qualify as substantial benefit.</i> - Existing SBA 504 Loan - Third Party Loan and the 504 loan must be refinanced, or the Third Party Loan must be paid in full - Existing SBA 7(a) Loan - refi eligibility requires a certified development company to notify the original 7(a) lender the original loan is being refinanced.
<p>ELIGIBLE BUSINESSES</p> <ul style="list-style-type: none"> • Must be a for-profit small business in the U.S. • In operation for at least 2 years - no new businesses 	<ul style="list-style-type: none"> • No change
<p>LOAN TO VALUE</p> <ul style="list-style-type: none"> • Cash-Out Refinance: 75% LTV <ul style="list-style-type: none"> - Cash out for eligible business expenses cannot exceed 20% of the appraised value • No Cash-Out Refinance 90% LTV • For 504 refinancing with expansion, existing, qualified debt eligible up to 100% of expansion costs* 	<ul style="list-style-type: none"> * Increased cap on amount of existing debt eligible to 100% of expansion costs - up from 50% of expansion costs
<p>CASH OUT: ELIGIBLE USES</p> <ul style="list-style-type: none"> • Repairs or maintenance • Salaries • Rent • Inventory • Utilities • Payables • Line-of-credit • Business credit cards 	<ul style="list-style-type: none"> • No change
<p>CASH OUT: INELIGIBLE USES</p> <ul style="list-style-type: none"> • Cash out for owner's personal expenses • Acquiring a new business • A change of ownership with partner buyout • Capital expenditures 	<ul style="list-style-type: none"> • No change
<p>INTEREST RATE & TERMS</p> <ul style="list-style-type: none"> • Fixed-rate • 10-, 20-, or 25-yr terms are available • Fully amortized • Rate locked at funding • Effective rate for refi is 0.025% higher than regular 504 due to higher servicing fees 	<ul style="list-style-type: none"> • No change
<p>JOB CREATION</p> <ul style="list-style-type: none"> • Allows existing jobs (full-time equivalent basis) to be counted as jobs retained by the refinancing project* • Projects not meeting job creation/retention goals can continue to use all available Public Policy Goals 	<ul style="list-style-type: none"> * Alternate job retention standard reinstated - previously had to create one job for every \$75,000 of SBA funds received
<p>LOAN STRUCTURE</p> <ul style="list-style-type: none"> • Bank's portion must be equal to, or greater than, the SBA 504 debenture amount 	<ul style="list-style-type: none"> • No change
<p>DISBURSEMENT</p> <ul style="list-style-type: none"> • Disbursement period is 9 months after approval 	<ul style="list-style-type: none"> • No change