



NOTES OF INTEREST

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DEBT REFINANCE

NOW AVAILABLE!

DEMAND FOR REFINANCE WILL BE EXPLOSIVE

A significant enhancement to the SBA 504 Loan Program was passed as part of the Small Business Jobs and Credit Act of 2010.

Under the change, small business owners will now, for the first time, be allowed to use the long-term, fixed rate 504 Loan Program to refinance existing commercial mortgages. This is huge considering it is estimated that \$770 billion in commercial loans, some with balances greater than their appraised value, will come due soon.

504 Refinance will take a lot of pressure off both the banks and their borrowers. Keep in mind, while restrictions do apply, refinances were never eligible before...take advantage of this temporary opportunity ending on September 27, 2012!

504 REFINANCE IS A POWERFUL TOOL

- ☑ Provides welcome relief to businesses with commercial loans coming due
- ☑ Improves loan-to-values, strengthening your bank's balance sheet
- ☑ Increases opportunity for repeat customers
- ☑ Offers borrowers payment stability with a 20-year low, fixed rate
- ☑ Reaches more borrowers than ever before with higher loan limits and increased size limits
- ☑ Most businesses qualify
- ☑ Unique marketing opportunities

Summary of Refinance Provisions

- Property must be owner-occupied (51% or greater)
- Debt must be at least two years old
- Federally guaranteed debt is not eligible (7A, 504, USDA)
- Borrower in operation for the entire two year period
- Payments must be current for at least one year
- Proceeds must have been used for 504 eligible fixed assets for the benefit of a small business concern
- Temporary – will end on September 27, 2012
- The program is initially open to businesses with debt coming due prior to December 31, 2012. However, the SBA may open this up for businesses facing later balloon payments once the immediate needs have been met.

877-BEST-504



www.GrowthCorp.com

We are always available to answer your questions and would be happy to come on-site and discuss the changes with your commercial lending team. Call us today!

Success Stories

Growth Corp is continuously striving to streamline the 504 process...making the program simple and straightforward.

- ❖ Our in-house closing department works closely with you to ensure all the proper closing documents are collected in a timely fashion.
- ❖ With three closing attorneys, we are better able to get your loan closed on time.
- ❖ Growth Corp has offices and loan officers located across the Midwest to serve you.
- ❖ Our servicing department is always available to answer any questions you may have post-closing: Need to change bank accounts? Want an amortization schedule? Looking for a payoff amount? We can help.
- ❖ **Being there...our number one focus is to provide unbeatable service from start to finish!**

Curious what our lending partners are saying about the 504 Loan Program? We asked Brian Hannon, Vice President of American Chartered Bank in Downers Grove to comment.



Brian Hannon, VP
American Chartered Bank

From your perspective, why do you use the 504 Loan Program?

The 504 program enables me to offer my clients financing with an attractive, long-term fixed interest rate that requires a significantly lower down payment. The program has been especially useful over the past two years, as it has allowed the bank to help our clients expand their operations without significantly increasing our exposure to commercial real estate in a period of declining values.

Have you had a favorable experience with our Loan Officers?

Working with Brian Comiskey has been great. In 2010, I closed three 504 loans with his assistance, and in each of these cases Brian was knowledgeable, proactive, and responsive, making himself available for both conference calls and face-to-face meetings with my clients. I would not hesitate to work with him again on future opportunities.

Did Growth Corp approve and fund your projects as quickly and efficiently as possible?

The Growth Corp approval process was very smooth. Brian typically requested the same information that I required for my underwriting, and I always had the Growth Corp approval before I received the completed appraisal, so it was never a source of delay. Similarly, the funding process was also very quick and efficient.

Here's a real-life example of how the refinance program works...

In this scenario, the appraisal exceeds debt to be refinanced and the borrower has at least 10% equity in the assets being refinanced. In other scenarios, there may not be 10% equity, or the appraisal may not exceed the debt. Please, call your Growth Corp Team Member, or visit our website, to see other scenarios.

SAMPLE 1

Appraised Value of Property	\$600,000
Outstanding Balance of Debt	\$500,000

The value of the collateral securing the project exceeds the outstanding principal balance of the debt. Lien is less than 90% of the appraised value.

Bank Loan	\$300,000	(50% of appraised value)
SBA 504 Loan	\$200,000	(balance of existing lien – 33.3% in example)
Borrower's Contribution	\$100,000	(all equity in project – 16.7% in example)
Total Project	\$600,000	

This meets the requirements of the Bank at 50% of the appraised value, BANK + SBA does not exceed the amount being refinanced, borrower injection meets/exceeds 10% of the appraised value.

In this example, the value of the collateral securing the Refinancing Project (\$600,000) exceeds the outstanding principal balance of the existing indebtedness (\$500,000). Accordingly, the portion of the refinancing project that is funded by the 504 loan and bank may not exceed the outstanding principal balance of the existing debt or \$500,000.

GETTING THE MOST FROM THE 504 LOAN PROGRAM

504 REFINANCE - WILL A LOAN QUALIFY?

The 504 Refinance Program has been created to aid existing small businesses with loans coming due. Borrowers can now lock in a lower, long-term interest rate, which will provide a long-term financing solution. Refinancing helps improve business cash flow, financial stability, and long-term viability of businesses.

The SBA has placed an initial restriction on the type of businesses and loans that are eligible for the Program. However, SBA has the authority to extend or expand this program once the most immediate needs have been met. Growth Corp is your front line for information and will keep you posted of any changes. Make sure you are on our mailing list to receive Program updates and changes.

Want to know if you've identified a borrower that qualifies for a 504 Refinance? Answer the following questions:

yes no Is the property being refinanced at least 51% owner-occupied building or long-term equipment?

yes no Has the business been in continuous operation for at least the last two years?

yes no Is the debt to be refinanced originally used for the purchase/improvement of fixed assets?

yes no Has the business been current on the debt to be refinanced for the past 12 months?

yes no Is the loan at least two years old and coming due on or before 12/31/2012?

Note: The debt to be refinanced CANNOT originally have been a 7a, 504 or USDA Loan or provided by a Small Business Investment Center, Venture Capital Company or from an associate of the borrower.

If you answered yes to these questions, then you're on the right track and the loan is likely eligible for 504 refinance. Your Growth Corp Team Member knows all the qualifications and is skilled at structuring projects that meet the SBA standards to get a complete analysis. Call us today!

NEW USES FOR 504 FINANCING

1 Farmland can now be financed through the 504 Loan Program.

2 Self-storage units are now eligible to be financed with the 504.

3 \$5.5 million in 504 financing for manufacturers or energy efficiency is now eligible per project...not per business concern.

4 Existing, qualifying commercial debt can temporarily be refinanced with the 504.

CONTINUED....

The contributions are calculated based on the fair market value of the Eligible Fixed Assets securing the Refinancing Project. Accordingly, the Bank's loan must contribute at least 50% of \$600,000, or \$300,000, and the Borrower must contribute at least 10% of \$600,000, or \$60,000.

The Borrower's contribution may be satisfied with the Borrower's \$100,000 equity in the Eligible Fixed Assets securing the Refinancing Project, which in this example is 16.7%.

The 504 loan would provide \$200,000, for a total of \$500,000 when combined with the first mortgage loan, to pay off the existing indebtedness - and may not be any more than 40%.



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NOTES OF INTEREST
WINTER 2011

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WELCOME

We are proud to welcome Steve Kirby and Gary Brown to the Growth Corp team. Kirby is coordinating 504 financing for Chicago area businesses and participating lenders, while Brown is working in our portfolio and credit departments. Both have extensive experience in commercial lending and make exceptional additions to our team.

PROGRESS • ADVANCE • EVOLVE

As the commercial lending landscape changes, the 504 Loan Program has evolved to adapt to the needs of today's lenders and business owners. That's why we are taking the "Small" out of our name...the 504 Loan Program is no longer specifically serving small businesses. With higher lending limits of up to \$5.5 million and higher business size maximums of up to \$15 million in net worth and up to \$5 million in 2-year average net worth, the 504 can serve a large variety of business sizes.

504 loans are not just for small businesses. In fact, the business size standards for the 504 Loan Program are quite large and most for-profit businesses qualify for the program.

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