

# SBA 504 LOANS

NEW & IMPROVED DEBT REFINANCING



GrowthCorp.com

## 504 REFINANCE IS IDEAL 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
- Lower monthly payments
- Long loan term (up to 25 years)
- Access cash in the building to support business growth
- Consolidate multiple loans
- Payment stability
- Improves cash flow
- Protection from balloon payments

## QUALIFIERS:

- **For-Profit Business:** must be a for-profit, owner-occupied small business in the U.S.
- **Existing Business:** in operation for at least 2 years
- **Demonstrated Repayment Ability:** business demonstrates the ability to repay the loan and project meets all other SBA eligibility requirements
- **Owner-Occupied:** property being refinanced at least 51% owner-occupied -OR- is long-term equipment
- **Qualified Debt:**
  - must be a commercial loan
  - has been in place for at least six months
  - borrower has been current on all loan payments for at least the past six months
  - debt was used to acquire, improve, refinance assets eligible for 504 financing, which includes real estate and heavy machinery & equipment. SBA 504 refinancing allows a minor portion of non-504 eligible uses (up to 25% of the loan's use of proceeds) - **see example at right.**
  - is secured/collateralized by the same assets financed
  - benefits the applicant business

## NEW FEATURES INCLUDE

- **90% LTV** for a straight refinance OR refinance with cash-out
- **No cap on cash-out** for eligible business expenses
- **Same institution debt refinancing is eligible**
- **Expanded use of eligible business expenses** now includes other secured debt
- **75% of the qualified debt** must have been used for eligible fixed assets
- **Loans with government guarantees are eligible** (7a, 504, USDA) under certain conditions
- **Alternate job retention standard applies** for 504 refinancing

## ELIGIBLE BUSINESS EXPENSES

If you're looking for cash-out, you can access the equity in your business real estate and heavy equipment up to a 90% LTV to:

- Pay off/down a business Line of Credit
- Pay off/down business credit cards
- Cover business payables OR expenses incurred over the past/upcoming 18 months
- Loan closing costs
- Refinance other secured debt – these are business loans secured by the same assets as the qualified debt

## INELIGIBLE USES OF CASH-OUT

- Working capital
- Inventory
- Goodwill assets from business purchase
- Franchise fees
- Investment in rental real estate

## 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

## INTEREST RATE & TERMS

- Fixed-rate
- Fully amortized (no balloons)
- Real estate – 10, 20, 25 year term
- Equipment – 10 year term
- Rate locked when debenture is sold

## LOAN STRUCTURE

- \$5 million (typical projects)
- \$5.5 million (manufacturers, energy initiatives or public policy goals met)
- Bank's loan must be equal to, or greater than, the SBA 504 debenture amount



Qualified Debt's Original Use of Proceeds				
<b>504-eligible assets</b>	Building acquisition	\$750,000	75%	<b>89%</b> (75% or >)
	Renovations	\$110,000	11%	
	New Sign	\$30,000	3%	
<b>Not eligible</b>	Auto	\$50,000	5%	<b>11%</b> (25% or <)
	Working Capital	\$50,000	5%	
	Misc.	\$10,000	1%	
<b>Total Use of Proceeds</b>		<b>\$1,000,000</b>		