



Newsletter

Spring 2009

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STIMULUS PACKAGE BOOSTS THE SBA 504 PROGRAM

After considerable deliberation, the Senate and House have passed H.R.1., American Recovery & Reinvestment Act of 2009, being signed by President Obama. Worth noting are the changes to the SBA 504 program that directly help our business owners and bankers on Main Street.

Temporary fee elimination for the 504 loan program:

This temporarily eliminates the Lender Participation Fee paid by the bank (1/2 of 1% of the First Lien) and the CDC Processing Fee paid by the borrower (1.5% of the net debenture), until the appropriated funds are depleted.

Low-interest refinancing:

Permissible refinancing of existing debt (including 7A and 504 debt!) in a new 504 loan. The refinancing cannot exceed 50% of the estimated cost of the overall project to be financed. Other parameters:

- a) The new loan involves business expansion.
- b) Existing debt is collateralized by fixed assets.
- c) Existing debt was incurred for benefit of small business.
- d) Proceeds will be used to acquire land, to construct or expand a building or to purchase equipment.
- e) Borrower is current on all payments of existing debt for not less than 1 year.
- f) The new loan will provide a substantial benefit when prepayment penalties, financing fees and other financing costs are taken into consideration.
- g) New financing will provide better terms or interest rate.
- h) New financing will be used only for refinancing existing debt, or for costs related to the project being financed. (The new loan isn't to be used for owner withdrawals.)

Job Creation Ratio Change:

This section changes the job creation requirement from the current one job per \$50,000 to one job per \$65,000 for an individual loan or CDC portfolio average.

Establishment of SBA secondary market guarantee authority:

This section establishes a program to provide up to \$3 billion in guarantees for 504 first mortgage pools. It appears these may be existing pools of loans, or new loans that may be pooled after date of enactment.

Timeframe?

The Act requires SBA to issue regulations within 15 days of enactment and report to Congress on implementation within 60 days of enactment.

Please contact one of NWBDA's knowledgeable Business Development Officers for more information on these policy changes and to make a presentation at your next group meeting.

**CURRENT
EFFECTIVE RATE
FOR
FEBRUARY 2009 IS
5.704%**

SBA 504 Loans Go Green!!!!

Three new Public Policy Goals are energizing the economy and assisting small businesses. All provide higher SBA 504 borrowing limits, and waive job creation requirements.

1. **Reduction of Energy Consumption by 10% or more.** Allows up to \$4,000,000 in SBA 504 funding. The borrower must document their current energy consumption compared to projected energy consumption showing a savings of at least 10%.

Are you moving from an old building with poor insulation and single-pane windows and buying a building fitted with energy saving technologies? This may save more than 10% in energy consumption. Consider improved HVAC, insulation, lighting, etc.

2. **Sustainable Design to Reduce Energy Consumption.** Allows up to \$2,000,000 in SBA 504 funding. The borrower must provide certification from the architect, engineer or the Green Building Certification Institute that the newly constructed building meets Leadership in Energy and Environmental Design standards.

3. **Renewable Energy Production.** Allows up to \$4,000,000 in SBA 504 funding. The borrower must produce or manufacture a type of renewable energy, such as solar, wind, hydropower, etc.

Are you installing solar panels or wind turbines that could generate the power for the building you are buying?

One hotel project drilled down to tap into geothermal heat to provide energy for the hotel!

NADCO Annual Conference

The NADCO 2009 Annual Meeting and 504 Training will be held Wednesday, April 29th through May 8, 2009 in San Diego CA.

For more information visit Calendar and Events at www.NADCO.org.

Know the Public Policy Goals

Don't overlook the many Public Policy Goals that can make a difference in the overall financing package for a business. These can often make the difference between if a deal can be done or not.

In many cases, meeting the Public Policy Goal alleviates the job creation requirement. Since there is no upper limit set on the amount a bank can finance, with a higher SBA gross debenture amount allowed, larger loan transactions are feasible.

Public Policy Goals At A Glance

	Job Creation Required Per Gross Debenture	Max. SBA 504 Gross Debenture Limit
General Business	1/\$65,000	\$ 1,500,000
Manufacturer	1/\$100,000	\$ 4,000,000
Business Majority Owned by a Woman, Minority, Veteran	Waive	\$ 2,000,000
Rural Development	Waive	\$ 2,000,000
Business District Revitalization	Waive	\$ 2,000,000
Expands Exports	Waive	\$ 2,000,000
Enhanced Economic Competition	Waive	\$ 2,000,000
Changes Due To Federal Budget Cuts	Waive	\$ 2,000,000
Restructuring Due to Federal Policies on Environment, Employee Safety/Health	Waive	\$ 2,000,000
Sustainable Design	Waive	\$ 2,000,000
10%+ Reduced Energy Consumption	Waive	\$ 4,000,000
Renewable Energy Production	Waive	\$ 4,000,000

“We need every tool in the toolbox to ensure small businesses across the country get the loans they need.”

Sen. Charles Schumer, Senate Committee on Banking

SBA 504 Quiz

Q. When is the new SOP 50-10 (5A) effective?
A. March 1, 2009! Here are a few changes:

- Schools/daycares are no longer Special Purpose Properties! Lower down payment!
- If a business has a resident manager, the building is eligible if the residential space is no more than 49% of the total sf.
- A franchisor's agreement can't have certain "control" language.