

# Newsletter

## SBA 504 Program

# Debt Refinancing Program Changes

### SBA 504 Effective Rates for August 2021

25-year - 2.87% / 2.91% Refi ~ 20-year - 2.75% / 2.79% Refi ~ 10-year - 2.60% / 2.66% Refi

SBA has published its official guidelines for the 504 Debt Refinancing, which implements the permanent changes that were proposed in the Economic Aid Act, which passed earlier this year. These listed changes below are effective as of July 29, 2021 and provide only a summary of the 504 Loan Refinancing Program revisions and each project will still have to be individually evaluated to determine eligibility.

#### Refinance *WITH* Expansions Changes

The limitation on the amount of existing debt eligible for refinance increases from 50% of expansion costs to 100% of expansion costs. An expansion Project costing \$500M can now include a refinance of existing Qualified Debt up to \$500M.

#### Refinance *WITHOUT* Expansions Changes

- Eliminates the prohibition on refinancing government-guaranteed debt (such as the 504 or 7(a) Programs, USDA loans, etc.), provided that the current lender is unable or unwilling to modify the current repayment schedule and that the refinance would provide \*substantial benefit to the borrower.  
*\*Substantial benefit is defined as the portion of the new installment amount attributable to the debt being refinanced must be at least 10% less than the existing installment amount.*
- Revises the rule that the Qualified Debt to be refinanced was incurred not less than 6-months before the date of the application (down from 2 years).  
*- Previously, a debt that was refinanced within the 2 years before the date of the 504 loan application (the most recent loan) was only eligible if the effect of the refinancing was to extend the maturity date without advancing any additional proceeds. That requirement is now eliminated.*

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- For an existing 504 Loan, either both the Third Party Loan and the 504 Loan must be refinanced or the Third Part Loan must have been paid in full  
*-In a refinancing 504 loan structure, depending on borrower contribution, the SBA 504 portion can equal the Third Party's portion, but cannot be more.*
- Loans no longer are required to be current on all Qualified Debt for 1 year prior to 504 application date - deferments and catch-up plan statuses are now acceptable.  
*-Because the Qualified Debt now must be incurred not less than 6 months before the date of the 504 Loan application, SBA no longer requires that the applicant be current on all payments due on the Qualified Debt for not less than 1 year before the date of application.*
- Prepayment penalties, financing fees, and other financing costs must be added to the amount being refinanced in calculating the percentage reduction in the new installment payment. This includes bond holder (interest) payments.
- The alternate job retention goal has been reinstated. All existing full time equivalent jobs may be counted as jobs retained for eligibility purposes.  
*-The project may instead meet one or more community development or public policy goals.*

Please reach out to your Business Loan Officer with any questions about the Debt Refinance Program Revisions.

**July's Loan Fundings**

NWBDA funded **4** new projects for the total amount of **\$12,081,000.00**

**July's Loan Approvals**

NWBDA approved **24** new projects for the total amount of **\$51,378,279.00**

In the month of July, NWBDA helped **create 56 new jobs** in the local communities

**Business Development Officers**

Eastern WA/North ID

**Eric Sartell**

esartell@nwbusiness.org  
(509) 904-5169

Central Washington

**Lisa Vincent**

lvincent@nwbusiness.org  
(509) 469-5040

Western Washington

**Elizabeth Rusnak**

erusnak@nwbusiness.org  
(425) 286-6673

**Mark Beppler**

mbeppler@nwbusiness.org  
(425) 505-3263

Southwestern Washington

**Jim Bright**

jbright@nwbusiness.org  
(360) 521-5704

Greater Portland Metro Area/

North Oregon Coast

**Mike Miller**

mmiller@nwbusiness.org  
(503) 746-1805

Willamette Valley, Central, Eastern & Southern Oregon

**Evan Heriot**

eheriot@nwbusiness.org  
(541) 228-5015

Follow Us on Twitter  
and LinkedIn!



info@nwbusiness.org  
www.nwbusiness.org  
(509) 458-8555  
(800) 540-1748 (Toll Free)

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