

SBA 504

REFINANCING PROGRAM

A COMPREHENSIVE GUIDE

504 REFINANCING PROGRAM:

Co-Lender financing that is designed to refinance existing commercial real estate, machinery, and/or equipment debt with low, fixed interest rates at 10, 20, or 25 year terms.

WHO IS ELIGIBLE TO QUALIFY?

- Most for-profit small businesses in the U.S.
- Businesses with a tangible net worth of less than \$20 million.
- Businesses that maintain a net profit after tax (over a two-year average) of no more than \$6.5 million (including affiliates).
- Businesses that have been operational for at least two years, with debt that is a minimum of six months old (only for non-expansion projects).
- Businesses that occupy at least 51% of their property at the time of application.

PROJECTS WITHOUT EXPANSION

- Businesses can withdraw additional equity to finance 18 months' worth of other Eligible Business Expenses (EBE). The total of EBE and debt refinancing must not exceed a 90% loan-to-value (LTV) ratio.
- Eligible business expenses may include items such as salaries, rent, utilities, inventory, as well as Other Secured Debt.
- An SBA 504 refinance loan can be utilized to pay off an existing government-guaranteed loan (including SBA, USDA, and similar loans). At least 75% of the initial proceeds must have been allocated for eligible fixed assets.
- The borrower is required to demonstrate a documented benefit in the debt structuring process.

PROJECTS WITH EXPANSION

- Expansion costs must be equal to or greater than the amount of debt being refinanced.
- Substantially all (75% or more) of the proceeds of the refinanced debt were originally used for eligible fixed assets.

INTEREST RATE AND CONDITIONS

- Fixed-Rate - based on Treasury Rates.
- Real Estate - maybe 10, 20, or 25 year term.
- Machinery & Equipment - maybe 10 or 20 year term (based on useful life).



ADVANTAGES FOR LENDERS

- Holding the first lien position and maintaining a low Loan-to-Value enhances the private lender's loan portfolio.
- A fixed interest rate enables lenders to attract more business.
- This approach secures a long-term relationship with the borrower while also freeing up available debt.

ADVANTAGES FOR BORROWERS

- Financing options are available for up to 90% of the appraised value of the property being refinanced, offered at a long-term, fixed interest rate.
- The equity contribution can be as low as 10% of the property's value and may include equity from the property being refinanced.

Terms and conditions may apply. Please reach out for more details.

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