

# A Bankers' Guide to the 504 Refinance

## **Introduction:**

### **Change the Way You Look at 504 Loans**

Lenders can now use the SBA 504 Refinance Program to look beyond expansion projects and offer their customers the benefits provided by an SBA 504 loan.

The 504 refinance is a powerful tool to help small businesses refinance existing commercial loans, turn equity held in real estate into working capital, or restructure a balance sheet.

We're looking forward to working with you and your customers to apply the affordability and flexibility of the 504 to more projects than ever before.



**Have questions or a deal to discuss?**

**Contact Juan Hernandez or Jeff Sozio at 216-592-2332**

# Permanent 504 Refinance Program Details

<b>Eligibility Requirements</b>	<ul style="list-style-type: none"><li>· Borrower has been in operation under the same ownership for 2 years as of the date of the application</li><li>· Borrowers for the refinance program must meet all current 504 loan eligibility requirements</li></ul>
<b>Debt Eligible for Refinance (“Qualified Debt”)</b>	<ul style="list-style-type: none"><li>· Incurred 2 years or more years before the application</li><li>· Existing guaranteed loans not eligible.</li><li>· Incurred for the benefit of the small business</li><li>· Secured by eligible fixed assets</li><li>· Paid on a current basis for at least one year prior to the date of the application</li><li>· May consist of multiple loans</li><li>· Refinance projects consisting solely of qualified debt may have an overall LTV of 90%</li></ul>
<b>Eligible Business Expenses</b>	<ul style="list-style-type: none"><li>· With a qualified debt, business operating expenses can be included into project financing. expenses include salaries, rent, utilities, inventory, or other business obligations</li><li>· Eligible business expenses included in the refinance project shall not exceed 25% of the project and the overall LTV shall not exceed 85%</li></ul>
<b>Application Requirements</b>	<ul style="list-style-type: none"><li>· Copies of notes, mortgages and UCCs of the qualified debt must be provided</li><li>· Transcript of the previous 12 month payment history on the qualified debt and other secured debt being refinanced. Transcript must confirm that the borrower is current on all payments due</li><li>· Appraisals are not required at the time of application. However, appraisals dated within 12 months of the application date are required prior to closing</li></ul>

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