



SBA Refinance Program

This is great news for small businesses that need financial breathing room to grow and create new jobs. Small business owners feeling the pressure of commercial mortgage debt and facing the specter of rising interest rates can soon get relief from a new refinance program launched by the Small Business Administration and Growth Capital. That's about one month from now, so it's really time NOW to start sending in opportunities for us to review.

Between \$100 billion and \$200 billion in commercial real estate debt is projected to mature nationwide in 2016 and 2017. Much of this debt is owed by small businesses still struggling in a lukewarm economy. The new SBA-504 Refinance program reprises a successful pilot initiative that in 2011-2012 helped more than 2,700 small businesses refinance nearly \$7 billion in high-interest debt.

Under the new refinance program, small businesses can take advantage of lower rates, fixed for 20 years, to lighten their monthly debt payments, improve cash flow and stabilize operations.

If interest rates begin to rise, many small businesses will be challenged to qualify for a conventional refinance loan versus an SBA loan. With the new SBA-504 Refinance loan, a bank and Growth Capital will provide 90% financing, leaving a 10% down-payment by the small business owner. The bank funds only 50 percent of the total debt, increasing the business owners' ability to qualify for the loan.

Lender Benefits:

- Boost the bank's loan production
- Minimize risk - banks can limit their exposure to 50% of total 504 loan
- Generate new fee income coupled with a quality portfolio loan
- Free up your client's trapped capital
- Combined LTV (1st & 2nd) up to 90%
- 20-year, below market fixed interest rate

Eligibility Guidelines:

- Can refinance one or more commercial loans
- The loan must be at least 24 months old and in good standing
- At least 85% of the existing loan must have been for 504-eligible purposes
- The loan being refinanced must not have any late payments in the previous 12 months and evidence of such must be presented.
- The subject property must be a minimum 51% owner occupied and meet all other eligibility requirements of the SBA 504 program.

- Cash-out refinancing is permitted to cover eligible business operating expenses such as salaries, rent utilities, inventory, or other business obligations. Eligible business expenses included in the refinance project shall not exceed 25% of the project and overall LTV cannot exceed 75%.



Unfortunately, existing "government backed" loans, such as 504's, 7(a)'s or USDA loans, CANNOT be refinanced under this new program. So this is ONLY applicable to conventionally financed commercial mortgages

Through this new refinancing program, our community will reap the benefits of retaining and attracting healthy, growing small businesses, which have a positive impact on our neighborhoods and the regional economy.

Please call Juan Hernandez or John Kropf at (216) 592-2332 to analyze your re-fi options now.