



SBA 504 REFINANCE FACTS

Small business owners with commercial mortgages that will either mature or balloon before Dec. 31, 2012 are now eligible for an SBA 504 real estate loan to refinance their debt. Here are a few of the most important things you need to know:

- SBA 504 Refi loans can now refinance owner-occupied business real estate (the owner must currently occupy 51% or more).
- The total refinancing can be up to 90% of the Fair Market Value of the collateral, or 100% of the outstanding principle balance, whichever is less--although qualifying supplemental collateral may be pledged to reach this goal.
- The maximum size for the SBA portion of financing is \$5 million.
- This can combine with a bank's first mortgage for up to \$10 million total financing.
- If the remaining principle of the underlying debt is less than 90% of the appraised value, any surplus equity can be used to finance other business debts (lines-of-credit, other term debt, etc.) or business expenses that will be incurred in the next 18 months.
- The usual SBA 504 job-creation requirements do not apply here, but the borrower's operating business must either currently have 1 FTE employee per \$65,000 of SBA money (project loan amount may be adjust accordingly), or must meet one of the SBA's other policy goals; improving the business's cash flow can qualify as a meeting a goal for the purposes of this special program.
- The existing loan must have been made at least two years prior, has been current for at least one year, and must come up for renewal no later than Dec. 31, 2012 (although the SBA has said it may extend this later).
- 85% of the original use of funds for the existing loan was to acquire, construct or approve fixed assets.
- We cannot refinance loans that already have Federal government guaranties.

With the SBA-504 Refi loan, the private lender or bank funds only 50 percent of the total debt, which helps the business owners' to qualify for the loan. A second mortgage is secured from CDC Small Business Finance and fully backed by the U.S. Small Business Administration for up to 40 percent of the total project. The small business fills the gap with a 10% equity or cash injection. The SBA-504 loan is a 20-year fully amortized loan with low interest rate which enables the business owner to qualify for the bank first-trust-deed loan.

Mortgage brokers, bankers and borrowers can get a 504 Refi Prequalification from CEDCO Small Business Finance loan officer within 24 now. We will need the last 3 years of business and personal financials plus a transcript of loan payments on the existing loan. Once pre-qualified, the loan officer and CDC team will develop the loan package and present it to the SBA. For more information, call 800-843-8852.

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