

# SBA 504 REFINANCE PROGRAM

The SBA now accepts applications for refinance projects, which could also be combined with financing of cash needs for business operations.



## Qualified Debt

- Commercial Loans at least two years old.
- Loan was used for and secured by commercial real estate and equipment.
- Borrower has been current with payments for the past year including payments on Modification Agreements that have been in place at least one year.
- Loan is not subject to a guarantee by any Federal Agency.

## Eligibility Requirements

- Business has been in operation continuously for past two years.
- Change in ownership of business in the past two years, if occurred, does not result in new and unproven ownership/management or increased debt unrelated to the business.
- Borrower occupies at least 51% of commercial building being refinanced.
- Project cannot include an expansion component.

**Note:** There is a 'partial refi' SBA 504 program where these situations may be appropriate.

## Other Requirements

- Meets Job Creation or other goal for SBA.
- Financing cannot exceed 90% LTV or 85% LTV when Business Operating Expenses are included.
- Business Operating Expenses financed cannot exceed 25% of the value of eligible assets.
- Appraisal must be completed within one year of loan approval

## Other Benefits

- As long as financing request includes 'Qualified Debt' it can also include other secured debt under specific guidelines.
- The financing request can include funds for eligible business expenses either already expended or planned in the next 18 months. Eligible business expenses include but are not limited to salaries, rent, utilities and inventory.

## Example Case Study

### *The Request -*

- Building appraises at \$1 million.
- Business has a \$400,000 mortgage to Refi.
- Business would like to include eligible operating expenses.

### *Structure -*

- Typically, financing cannot exceed 90% LTV but with operating expenses included this example it is limited to 85% LTV or \$850,000.
- Mortgage can be refinanced at the \$400,000
- Maximum amount of business expenses that can be financed is 25% LTV or \$250,000.
- Total eligible financing is \$650,000 financed by bank and SBA at \$325,000 each.

For More information, contact Carolyn Engel at (262) 898-7420 or [Carolyn@blp504.org](mailto:Carolyn@blp504.org).

**BUSINESS LENDING**  
P A R T N E R S

Your Wisconsin SBA 504 Lender