

SPECIAL ALERT

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Final Regulations On 504 Refinance Offer Great Opportunities

The SBA has now issued final regulations on the SBA 504 refinance program. Last year Congress approved legislation that would allow small business owners to refinance their commercial real estate debt using the SBA 504 program. Interim Regulations issued in February by SBA greatly restricted the opportunities to use this program. Following a comment period and much dialogue, SBA has now revised its regulations and removed those restrictions. We are greatly encouraged that many businesses can now take advantage of this opportunity.

The final regulations allow lenders to provide financing for up to 90% of the property's appraised value using the standard 504 structure of 50% lender; 40% Wisconsin Business Development (SBA 504) and 10% borrower's equity. For loans with short maturities, refinancing would allow the customer the benefit of a 20 year fixed rate position (currently under 5%). Importantly, to the extent that the existing debt is under 90% of appraised value, the business can increase its long term debt up to that level and use the "cash out" to pay payables, buy inventory or for other business related purposes. This opportunity would allow businesses to use equity in real estate with a long term amortization to pay off short term payments. The intent was to provide a greatly needed source of working capital as well as restructure the balance sheet for a generation. Lenders could use this program to have their customers pay down lines of credit and improve their working capital, resulting in improved cash flow. It would also provide a more favorable loan to value structure to meet regulatory requirements. The SBA has also simplified the program's documentation requirements.

We are very pleased to offer a refinance program that can help small businesses restructure their debt, lock in a favorable second mortgage rate, and use long term financing of existing equity to add working capital. We are strong advocates of this program and believe it will greatly help small businesses and their lending partners. The program ends September 27, 2012 and funding is limited to \$7.5 billion, nationally.

We will be happy to meet with you to review portfolio opportunities and see how you can use this greatly enhanced program.

Joe Wolfe
President