

March 2011

The 20-year effective rate for loans approved in FY 2011 and sold this month is 5.941%\*

The 10-year effective rate for loans approved in FY 2011 and sold this month is 4.894%\*

### 504 LOAN PROGRAM DEBT REFINANCING

The Small Business Jobs Act of 2010 temporarily extended the 504 program to allow for refinance without business expansion. SBA has \$15 Billion in program authority for this commercial real estate and equipment refinance program and began accepting loan applications on February 28<sup>th</sup>, 2011. All loans must be approved by September 27<sup>th</sup>, 2012. The attached SBA 504 Debt Refinance checklist will help screen loans for eligibility under the program.

Here's an example of how the refinance program works:

Appraised Value of Property	\$600,000	(Project property)
Eligible Soft Costs	<u>\$20,000</u>	(Appraisal, environmental, title, etc.)
*504 Eligible Project	\$620,000	

Current appraisals are needed to determine the eligible project structure

Existing Debt to Refinance	\$500,000
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In this example, the value of the collateral securing the project exceeds the outstanding principal balance of the debt and the lien is less than 90% of the appraised value. This results in the following 504 loan structure:

	<u>Project</u>	
Third Party Loan	\$310,000	(50% of * 504 eligible project above)
SBA 504 Loan	\$210,000	(33.87%, pays off existing lien and remaining soft costs)
Borrower's Contribution	<u>\$100,000</u>	(16.13%, real estate equity already in the project)
Total Project	\$620,000	(100%)

If you would like to hear more on the refinance program, please call your local WBD loan officer to arrange a presentation to your lenders.

For more information on the new refinance provisions please [click here](#).

**Keep An Eye Out For Our Quarterly E-Newsletter!**

If you would like to be added to our e-mail list please e-mail your contact information to Rani Leung at [rleung@wbd.org](mailto:rleung@wbd.org)

#### WBD FINANCE CORPORATION LENDING GROUP

DAN SCHNEIDER, Executive VP of Lending: 920-966-1483

**MADISON: 608-819-0390**

Larry Schwenn: 608-316-7134  
Diane Pasley: 608-316-7132

**WAUKESHA: 262-970-8533**

David Kircher: 262-436-3008  
Steve Kohl: 262-436-3012  
Nick Drewsen: 262-436-3011

**FOX VALLEY: 920-231-5570**

Jason Monnett: 920-966-1479  
Rich Diemer: 920-966-1484

**EAU CLAIRE: 715-834-9474**

Mike Dieckman  
Jeremy Price

**STEVENS POINT: 715-343-9082**

Dan Timm

**GREEN BAY: 920-496-2109**

Jason Monnett  
Dan Schneider

**HUDSON: 715-381-6719**

Jeremy Price

**RACINE: 262-598-9488**

Steve Kohl

## SBA 504 DEBT REFINANCE ELIGIBILITY CHECK LIST

**YES NO** (Answers to ALL of the questions listed below must be “Yes” in order to proceed)

<b>USE OF PROCEEDS</b>	
	At least 85% of original use of proceeds being refinanced was used for 504 eligible purposes
	Evidence to support above is available
<b>LOAN BEING REFINANCED</b>	
	Loan was originated at least two years prior to date application will be submitted to SBA
	Loan is maturing on or before December 31, 2012
	Loan has been current for past year with no payment being deferred or over 30 days past due
	Transcript of payment history for past year is available
	Lender holding the debt will sign Lender Certification (see attached)
<b>REFINANCE SAME INSTITUTIONAL DEBT (Additional Requirements)</b>	
	Transcript of payment history for <u>entire term of loan</u> is available
	Lender will include in its Commitment Letter a statement that it would not make loan without SBA participation
	Lender will not sell its loan on the Secondary Market as part of a pool of guaranteed loans
<b>JOB RETENTION GOAL</b>	
	Borrower employs at least one FTE (based on 40 hour work week) for every \$65,000 of 504 loan amount (example: \$650,000 debenture would require at least 10 employees) and/or will meet an SBA Public Policy Goal (WBD Loan Officer can provide assistance)
<b>PROPOSED LOAN AMOUNTS</b>	
	Third Party Lender Loan and SBA 504 loan amounts <u>combined</u> do not exceed 90% of the appraised value of the fixed assets securing the loan.
	Third Party Lender Loan amount is at least 50% of appraised value of assets securing the loan
	SBA 504 Loan amount is no greater than 40% of the appraised value
<b>BORROWER CONTRIBUTION</b>	
	Borrower contribution is at least 10% of appraised value
<b>LIEN POSITIONS</b>	
	Lien positions on Eligible Fixed Assets securing loan <u>must</u> be a first for Lender and second for SBA (Other assets offered as collateral may have existing priority liens)
<b>APPRAISAL</b>	
	Appraisal must be dated within six months of application and have proper certifications.
<b>RESTRICTIONS</b>	
	Loan being refinanced does not have an existing federal loan guaranty
	Loan being refinanced is not owed to an Associate of Borrower or a SBIC or a New Markets Ventures Capital Company (NMVCC)
	Loan being refinanced is not part of an existing 504 project
	Creditor of debt being refinanced is not in a position to sustain a loss