

CURRENT 504 LOAN RATE

The 20-year effective rate for loans sold this month is 5.269 %*
The 10-year effective rate for loans sold this month is 4.399 %*

BUSINESS EXPANSIONS - DEBT REFINANCING

The American Recovery and Reinvestment Act (ARRA) provided a limited opportunity to refinance qualified existing debt as part of a new SBA 504 loan. The SBA has now issued an interim final rule establishing the regulations to implement this change. This opportunity will arise when an SBA 504 loan is used for a business expansion, and the business currently has an existing mortgage on its property. An expansion is broadly defined to include the acquisition, construction or improvement of land, buildings or equipment for use by the small business.

The existing debt which may be rolled into the new 504 loan may not exceed 50% of the project costs of the expansion. The existing debt must have been incurred for assets that would have been considered 504 eligible assets, like land, building or long term equipment, and the business must have been current for the prior twelve months.

There are of course other implementing rules, but the objective is to allow businesses that are expanding to wrap some or all of an existing mortgage or other qualified debt into the new 504 loan. The benefits provide a long term 504 interest rate as well as a twenty year term on the qualified debt that is refinanced as well as the new project costs. Please give us a call to discuss this new opportunity to assist small businesses grow.

Our trade association, NADCO, as well as the 7a trade association, NAGGL, has been in active discussions with SBA on other methods to expand our programs to assist small businesses and their lenders. We especially see the ability to obtain working capital loans as a critical need, particularly for manufacturers and retail businesses. We will continue to work on these proposals. If you have any comments or suggestions, please let us know.

Our July funding rate once again is a near-record low rate for our program. There continues to be market demand to purchase the guaranteed second mortgage, and our benchmark, the ten year Treasury bond, is trading near record low yields. We hope that these rates will linger, but are mindful of moving existing or contemplated projects forward soon to take advantage of this rate cycle while it lasts.

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