

WISCONSIN BUSINESS DEVELOPMENT

SPECIAL ALERT

February 17, 2011

SBA 504 Program Debt Refinance Provisions

SBA 504 Refinance has arrived and the regulations have been issued today (Thursday, February 17, 2011). We are currently examining the regulations and the initial review indicates the following:

General Refinance Provisions:

- Small business real estate or equipment loan obligations coming due for renewal on or before December 31, 2012 , are eligible.
- Debt must have been in place for at least two years.
- Small Business Concern in business for two years prior to the date of application.
- Loans being refinanced must have been current for the past year. (No payment deferred or past due for more than 30 days.
- Debt refinancing. Cannot include expansion projects or the purchase of real estate and/or other fixed assets.
- Substantially all (85% or more) of **original** use of proceeds for the loan being refinanced must have been used for 504 eligible purpose.
- No refinancing of loans already part of an existing 7(a), 504, New Market Tax Credit or USDA loan.

Loan Structure:

- The Third Party loan and 504 loan combined may not be more than 90% of the fair market value of the fixed assets securing the loan. Third Party Lender participation at least 50% of appraised value.
- Borrower's required contribution of 10% can come from equity in project fixed assets or other collateral accepted by SBA.
- Job creation requirements are waived; businesses must employ at least one full time employee for every \$65,000 in 504 financing.
- Third Party lender holds first lien position on the fixed assets securing the refinancing

project; SBA has second lien position.

- Independent appraisal must be dated within 6 months of application and support the fair market value of the fixed assets being pledged as collateral.

Other Items:

- SBA Loan must **fund** within 6 months of authorization or be canceled.
- Ongoing guarantee fee of 1.043% on the total unpaid balance of the 504 loan.

For more information go to:

- [Refinance Rules and Regulations](#)
- [SBA 504 Program Debt Refinance Summary](#)
- [504 Debt Refinancing Power Point](#)

WBD Finance Corporation Lending Group

Madison: 608-819-0390

Larry Schwenn
Diane Pasley

Waukesha: 262-970-8533

David Kircher
Steve Kohl
Nick Drewsen

Eau Claire: 715-834-9474

Mike Dieckman
Jeremy Price

Racine: 262-598-9488

Steve Kohl

Green Bay: 920-496-2109

Jason Monnett
Dan Schneider

Stevens Point: 715-343-9082

Dan Timm

Fox Valley: 920-231-5570

Jason Monnett
Rich Diemer

Hudson: 715-381-6719

Jeremy Price

Address:

Corporate Office

100 River Place, Suite 1
Monona, WI 53716

Toll Free: 800- 536- 6799

Phone: 608-819-0390

Fax: 608-819-0393

Website:

www.wbd.org