



# WBD / SBA 504 Debt Refinance Eligibility Checklist

(Answers to ALL of the questions listed below must be “Yes” in order to proceed)

## Step 1: Qualifying the Borrower

YES	NO	
		Borrower has been in operation for all of the two year period ending on date of application
		Borrower will create or retain 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 or Community Development Goal (WBD Loan Officer can provide assistance)
		If real estate refinance or Community Development goal request borrower occupies 51% or more of project property at time of application

## Step 2: Review the Use of Proceeds (Must Include Qualified Debt)

YES	NO	
<b>QUALIFIED DEBT</b>		
		Loan(s) was incurred at least two years prior to date application will be submitted to SBA
		Loan(s) has been current for past 12 months with no payment over 30 days past due
		There has been no change in terms in the qualified debt, other than renewals under the same terms
		Transcript of payment history for 12 months is available
		At least 85% of original use of proceeds being refinanced was used to acquire a 504 eligible asset which will secure the proposed 504 refinance project
		Copy of note being refinanced- including any modification agreements - and corresponding collateral documents can be provided
		Loan being refinanced does not have an existing federal loan guaranty and the underlying obligation has not had a federal loan guaranty for at least the past two years
		Loan being refinanced is not part of an existing 504 project and the underlying obligation has not been a 504 loan for at least the past two years
<b>BUSINESS EXPENSES MEAN EXPENSES OTHER THAN QUALIFIED DEBT, INCLUDING SALARIES, RENT, UTILITIES, INVENTORY, ETC.</b>		
		Borrower will certify funds will be used for business purposes and will provide evidence in support of certification (copies of invoices, etc.)
		Eligible Business Expenses are limited to the operating expenses of the business that were incurred but not paid prior to the application or will become due within 18 months (excludes debt)

## Step 3: Understanding the Appraisal and Loan to Value (LTV) Requirements

YES	NO	
		When the fixed asset for the Refinancing Project is a Limited or Special Purpose property, the borrower must contribute 15%. Additionally, if the applicant (including affiliates) has outstanding debenture(s) for special use property, the minimum required equity injection is 20%.
		Appraisal must be dated within 12 months of application and include WBD and SBA as intended users
		<b>PROJECTS REQUESTING <u>NO</u> "CASH OUT" FOR ELIGIBLE BUSINESS EXPENSES:</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.
		<b>PROJECTS REQUESTING "CASH OUT" FOR ELIGIBLE BUSINESS EXPENSES:</b> Third Party Lender Loan and SBA 504 loan amounts <u>combined</u> maximum of 85% of the appraised value of the fixed assets securing the loan <b>AND</b> the "CASH OUT" portion does not exceed 20% of the appraised value of the fixed assets securing the loan.

## Step 4: Additional Requirements

YES	NO	
		Third Party Lender Loan amount is at least the same or greater than the SBA Loan amount
		SBA 504 Loan amount is no greater than 40% of the appraised value if a general use property, no more than 35% if a special use property and no more than 30% for a repeat special use borrower
		Lien positions on Eligible Fixed Assets securing loan must be a first for Lender and second for SBA (Other assets offered as collateral may have existing priority liens)
		Environmental study on project is available and dated within 12 months of date of application
<b>IF REFINANCING SAME INSTITUTION DEBT:</b>		
		Evidence to support at least 85% of original use of proceeds being refinanced was used for 504 eligible purposes
		Lender will not sell its loan on the Secondary Market as part of a pool of guaranteed loans
<b>BUSINESS EXPENSES MEAN EXPENSES OTHER THAN QUALIFIED DEBT OR OTHER SECURED DEBT, INCLUDING SALARIES, RENT, UTILITIES, INVENTORY, ETC.</b>		
		Evidence to support at least 85% of original use of proceeds being refinanced was used for 504 eligible purposes
		Interim lender must sign SBA Form 2288R Interim Lender Certification for Temporary Refinancing Program



Contact Your Local  
WBD 504 Expert Today!



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