SMALL BUSINESS CAPITAL CORPORATION

504 Debt Refinance Without Expansion
(Straight Refinance)

504 REFINANCE IS GREAT FOR

- Accessing cash/working capital
- Pending balloon payments
- Stretching payments out over a long term loan (up to 25 years)
- Consolidating multiple loans
- Minimizing out-of -pocket costs (equity in the collateral often fulfills the down payment requirement)
- Low, fixed interest rate on 504
- Improving cash flow

ELIGIBLE BUSINESSES

- Must be a for-profit, owner occupied small business in the U.S.
- In operation for at least 2 years
- Property being refinanced at least 51% owner-occupied or is long-term equipment

LOAN STRUCTURE

- $5 million limit on 504 portion ($5.5 million for manufactures or energy public policy goal)
- Appraisal required at time of application
- Project cannot involve expansion to the business
- Loans for debt refinance without expansion need to be disbursed within 9 months of loan approval

LOAN TO VALUES (LTV)

- No Cash-out: 90% LTV
- Cash-out: 85% LTV
  - ⇒ Up to 20% of the appraised value as cash out for Eligible Business Expenses (EBE)
  - ⇒ EBEs include salaries, rent, repairs, maintenance, inventory, utilities
  - ⇒ Other obligations of the business that were incurred, but not paid, prior to the date of application or that will become due for payment within 18 months after the date of application
  - ⇒ EBEs do not include capital expenditures, personal expenses, partner buy outs, business acquisition, etc.
- Must still meet all other SBA eligibility guidelines

JOB CREATION

- One job for every $90,000 of the debenture
- One job for every $140,000 of the debenture for manufacturers or energy public policy goal
- Existing FTE jobs can be counted as jobs retained by the refinancing project
- Projects are excluded from the job requirement goals if a Public Policy Goal is fulfilled (i.e., minority, woman, or veteran owned business; rural development; etc.)

QUALIFIED DEBT

- Must have incurred and be secured by an Eligible Fixed Asset(s) for not less than 6 months prior to date of application.
- 75% or more of the loan proceeds of the original loan were used for 504 eligible purposes
- 100% incurred for the benfit of the small business seeking the financing
- Can be a government-guaranteed loan (7a, 504, USDA) if:
  - ⇒ The refinancing will provide a substantial benefit (i.e. minimum 10% savings)
  - ⇒ For existing 504 loans, third party loan and 504 must be refinanced or the third party loan must be paid off
  - ⇒ The CDC notifies the existing CDC or 7(a) lender in writing, within 10 business days of application, advising them that the existing loan is being refinanced

INTEREST RATE & TERMS

- Fixed-rate
- Fully amortizes over the life of the loan (no balloons)
- Real estate– a 10, 20, or 25 year term; based on appraisal
- Rate locked when debenture is sold
- Effective rate for refi without expansion is higher than regular 504 loans due to higher servicing fees; 0.025% for FY' 2024

SBCC
SMALL BUSINESS CAPITAL CORPORATION

504 Debt Refinance With Expansion

504 REFINANCE IS GREAT FOR

- Refinancing existing qualified debt in conjunction with a project involving acquisition, construction or improvement of land, building, or equipment for use of the small business
- Pending balloon payments
- Stretching payments out over a long term loan (up to 25 years)
- Consolidating multiple loans
- Minimizing out-of -pocket costs (equity in the collateral often fulfills the down payment requirement)
- Low, fixed interest rate on 504
- Improving cash flow

ELIGIBLE BUSINESSES

- Must be a for-profit, owner occupied small business in the U.S.
- Property being refinanced at least 51% owner-occupied or is long-term equipment

LOAN STRUCTURE

- $5 million limit on 504 portion ($5.5 million for manufactures or energy public policy goal)
- The debt being refinanced will be added to the expansion cost to establish the total project costs
- Appraisal required at time of application

KEY POINTS

- Debt refinance is allowed for up to 100% of the expansion costs of the project (no requirement on age of debt)
- No Cash-out option: maximum LTV is 90% of the fair market value of the eligible fixed asset(s)
- Borrower has to be current on payments for 12 months prior to the date of application
- Refinance must provide a Substantial Benefit to the small business
  - ⇒ New installment amounts attributable to the debt being refinanced must be at least 10% less than the existing installment amount(s)
  - ⇒ Prepayment penalties, financing fees, and other financing costs must also be added to the amount being refinanced in calculating percentage reductions in the new installment payment
  - ⇒ Loans with balloon payments meet the substantial benefit test
  - ⇒ Loans with seasonal payments meet the test if there is 10% improvement in the installment when calculated by averaging all payments of the most recent 12 month period
- Must still meet all other SBA eligibility guidelines

JOB CREATION

- One job for every $90,000 of the debenture
- One job for every $140,000 of the debenture for manufacturers or energy public policy goal
- Existing FTE jobs can be counted as jobs retained by the refinancing project
- Projects are excluded from the job requirement goals if a Public Policy Goal is fulfilled (i.e., minority, woman, or veteran owned business; rural development; etc.)

QUALIFIED DEBT

- 85% or more of the loan proceeds of the original loan were used for 504 eligible purposes
- 100% incurred for the benfit of the small business seeking the financing
- Can be a government-guaranteed loan (7a, 504, USDA) if:
  - ⇒ For existing 504 loans, third party loan and 504 must be refinanced or the third party loan must be paid off
  - ⇒ For existing 7a loans the lender must certify that it is unable to modify the terms of the existing loan

INTEREST RATE & TERMS

- Fixed-rate
- Fully amortizes over the life of the loan (no balloons)
- Real estate– a 10, 20, or 25 year term; based on appraisal
- Rate locked when debenture is sold

SMALL BUSINESS CAPITAL CORPORATION

504 Refinancing Solutions

REFI STRUCTURE EX: STRAIGHT REFI, NO CASH OUT

As-Is Appraised Value =	$5,000,000
Existing Debt =	$4,400,000
Closing Costs =	$100,000

USE OF FUNDS:		SOURCE OF FUNDS:		
Existing Equity	$500,000	Bank	50%	$2,500,000
Refinance Existing Debt	$4,400,000	SBA	40%	$2,000,000
Closing Costs	$100,000	Borrower	10%	$500,000
Total Project Costs*	**$5,000,000**	**Total Sources**	**100%**	**$5,000,000**

*Total Project Costs = Appraised Value of Collateral

REFI STRUCTURE EX: STRAIGHT REFI, CASH OUT

As-Is Appraised Value =	$1,500,000
Existing Debt 7(a) =	$1,000,000

USE OF FUNDS:		SOURCE OF FUNDS:		
Existing Equity	$225,000	Bank	45%	$675,000
Refinance Existing Debt	$1,000,000	SBA	40%	$600,000
Cash out for EBE*	$275,000	Borrower	15%	$225,000
Total Project Costs	**$1,500,000**	**Total Sources**	**100%**	**$1,500,000**

SBA Requirements:	Total Financing = max 85% LTV	$1,275,000	85% LTV
	*Cash out for EBE = max 20% LTV	$275,000	18.3% LTV

REFI STRUCTURE EX: WITH EXPANSION

As-Is Appraised Value =	$1,000,000	New Costs	$2,000,000
Existing Debt =	$700,000		

USE OF FUNDS:		SOURCE OF FUNDS:		
Existing Equity	$300,000	Bank	50%	$1,500,000
Existing Debt*	$700,000	SBA	40%	$1,200,000
New Construction	$1,400,000	Borrower	10%	$300,000
Equipment	$300,000	**Total Sources**	**100%**	**$3,000,000**
Soft Costs	$300,000			
Total Project Costs	**$3,000,000**			

*Note: 1) Existing debt does not exceed 100% of new costs
2) Is fully added to 504 project before split

REFI CHECKLIST:

⇒ Copies of current promissory note and recorded mortgage for debt being re-financed

⇒ Detailed breakdown of original project costs

⇒ Payment transcripts for the prior 12 months

⇒ Documentation of equity injection if appraised value of the project assets is not sufficient to meet equity requirements

⇒ Real estate appraisal dated within 12 months of the SBA application

CONTACT US:

Judy Roach, President & CEO
jroach@sbcc-ok.com
(918) 584-3638

Jennifer Reagan, VP, Executive Director
jreagan@sbcc-ok.com
(918) 585-5357

www.sbcc-ok.com

(Interest rates are posted on the website