



# Chesapeake Business Finance Corp.

## SBA's New 504 Refinance Program

**SBA's guidelines on the new 504 Refinance Program are summarized below:**

**Eligible debt to refinance must be:**

- Commercial loans (not residential)
- Loans that mature on or before 12/31/12 (this date may be extended later)
- Loans at least two years old
- Incurred 100% for the benefit of the business seeking re-financing
- Loans where at least 85% of the loan proceeds were originally for 504-eligible purposes (fixed assets: land, building, equipment, related soft costs)
- Borrowers that have been current on all payments for a year (none over 30 days)
- Secured by 504-eligible fixed assets (land, buildings, equipment)

**Ineligible debt includes:**

- Loans with federal subsidies (504, 7a, USDA guarantees or tax-exempt bonds)
- Debt owed to an associate of the borrower
- Debt where the creditor is in a position to sustain a loss

**Other:**

- Appraisals must be submitted to SBA with refinance loan requests
- Loan structure is typically 50-40-10 with the bank at no less than 50% of appraised value, the borrower at no less than 10%, and the SBA 504 loan at no more than 40%
- The bank and 504 loans may not exceed the outstanding balance of the loan to be refinanced plus eligible soft costs

**Contact Us to discuss potential SBA 504 Refinance:**

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**Training Available Soon** on the SBA 504 Refinance Program - watch for announcements or **contact us** for updates.

- Borrower's contribution may be cash, equity in the subject collateral, or equity in eligible appraised other fixed assets (other property)
- Refinance loan-to-value (bank + SBA 504 loan) cannot exceed 90% of appraised value
- The current (March 2011) interest rate on SBA 504 loans for refinance loans is approximately 6.3% - which is slightly higher (0.29%) than conventional 504 loans
- Refinance 504 loans must be funded (closed) within 6 months after SBA approval
- Lenders must certify no un-remedied substantial adverse change prior to closing

**Reminders:**

- Loan size: SBA's new maximum 504 loan size is up to \$5 million for most loans and \$5.5 million for manufacturers and energy generation
- Company size: Eligible borrowers must have a book net worth under \$15 million and net income after taxes under \$5 million

**[www.chesapeake504.com](http://www.chesapeake504.com)**

**Chesapeake is a Section 504 Certified Development Corporation**