



Commercial Real Estate Refinancing through SBA 504 Loan Program

Two-Year Program to Refinance Commercial Real Estate Loans with SBA 504 Loan Program

This two-year program allows SBA 504 loans to be used to refinance up to 90% of real estate loans coming due before 12-31-2011 initially and by 12-31-2012 later on. This \$15 Billion program is for owner-occupied commercial properties only. Refinancing of up to 125% loan-to-value is permitted with additional collateral or injection, enabling refinancing of qualified existing debt without business expansion. Prior to this Act, refinancing was only possible for businesses which were expanding.

SBA Commercial Real Estate Refinancing Guidelines

- Property must be owner occupied (51%)
- Note(s) to be refinanced must have a maturity date on or before 12-31-2011 initially
- Refinancing loans must be approved by September 27, 2012
- Program is for debt refinancing only – No expansion, purchase of Real Estate or other fixed assets
- Debt must be at least two years old
- Borrower must have been in operation for the entire two year period
- Proceeds must have been used for 504 eligible fixed assets for the benefit of the small business concern
- Payments must be current for at least 12 months prior to the application - No past dues of more than 30 days on the note(s) or payment deferrals
- Maximum LTV on the existing property is 90%
- With additional collateral/additional injection, the maximum LTV can go to 125%
- SBA Guarantee fee to be 1.043% instead of regular 504 loan fee of 0.749%
- There is no cash-out
- The 504 loan must be funded within 6 months of SBA approval
- First Mortgage Lender must fund at least 50% of fair market value of appraised collateral or note to be refinanced (whichever is lower)
- SBA 504 loan need to equal the difference between the equity in the collateral (that must be at least 10%) and the First Mortgage loan



- First and second Lien positions are required for the First Mortgage Lender and the CDC/SBA
- Federally guaranteed debts are not eligible for refinancing (7A, 504, USDA)
- Project must create/retain jobs or meet Community Development/Public Policy Goal. If not the maximum loan amount will be calculated by multiplying the number of FTE' s by \$65,000
- Appraisal on subject property need to be dated within 6 months of Application date
- In case of same First Lender refinance the debt, a complete loan account transcript must be provided and that loan cannot be sold on the secondary market pool
- There cannot be refinancing when a creditor on the debt is in a position to sustain a loss

For details, contact info@urbansolutionsf.org.