

## More Incentives for SBA 504 Loans

Banks and borrowers should note the legislation signed by President Barack Obama regarding SBA 504 loans as part of the Small Business Jobs Act of 2010.

- Increased SBA Loan Size
- New Two-Year Program to Refinance Commercial Real Estate Loans
- New Size Standards
- New Eligibility for “Passive Income”



### **Increased SBA Loan Size**

The SBA 504 maximum loan size has been permanently increased to \$5 million for the CDC portion of the loan, with a \$5.5 million maximum for manufacturers and energy loans.

### **New Two-Year Program to Refinance Commercial Real Estate Loans**

In addition to the refinancing program for expanding businesses, this new two-year program allows SBA 504 loans to be used to refinance up to 90% of real estate loans coming due on owner-occupied commercial properties. Refinancing of up to 125% loan-to-value is now 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.

### **New Size Standards**

Increased size standards for SBA 504 and 7(a) loan programs makes eligible businesses with maximum tangible net worth of \$15 million and two-year average after-tax income of \$5 million.

### **New Eligibility for “Passive Income”**

Businesses that derive income from occupation or placement versus business activity (essentially rent income) are now eligible for SBA loans. Examples of businesses affected by this new rule include hairdressers, storage units, and newer businesses such as solar farms, windmills and cell phone tower operators.

*All eligibility requirements are subject to change.*