

SMALL BUSINESS JOBS ACT

504 Loan Program Debt Refinancing

- Temporary two year program enacted on 09-27-10.
- Loans must be approved by 09-27-12.
- \$15 billion in program authority.
- Refinancing for otherwise eligible SBA 504 Program assets (real estate and/or equipment) regardless of the loan maturity date (*Eliminated the requirement that the subject loan must mature or be up for renewal on or before 12-31-12*).
- For debt refinancing only - not for expansion or purchase of real estate or equipment.
- No cash out at this time.
- All Authorizations must be funded with 6 months of loan approval. No extensions.
- Automatic "adverse change" post approval if the loan being refinanced is delinquent post approval and before funding.
- Ongoing guarantee fee of 1.043% versus 2010 SBA 504 ongoing guarantee fee of .749%.
- Funding must come from three sources:
 1. Third Party Lender - not less than 50%.
 2. CDC (SBA 504 loan) - not more than 40%.
 3. Borrower - not less than 10%.
- Eligible loans must have been current for the past year with no payment being deferred or past due for more than 30 days. Must be supported by loan transcript. Same institution refinanced must be supported by transcript for the entire period of the loan.
- Eligible loans must have been in place not less than two years prior to date of application.
- Eligible business must have been in business for two years prior to submission of application.
- 504 Program loan amount cannot exceed the number of full-time equivalent employees at the time of application times \$65,000 (similar to a presumed job retention project).
- Amount of Third Party Lender and SBA 504 loan combined cannot exceed the lesser of 90% of appraisal value or the outstanding principal balance of the debt being refinanced. (appraisal must be current within 6 months) **No cash out at this time.**
- Refinance amount needed above the permissible amount must be addressed in the application (ie. forgiven, paid by Borrower or financed on a subordinated third lien position and subject to at least a three-year stand-by agreement).
- Third Party Lender and CDC must certify no knowledge of default or likelihood of a loan default with regard to the proposed refinancing.
- Borrower's 10% equity contribution may be satisfied by equity in assets being refinanced (established by appraisal current within six months).
- Restrictions:
 - no refinancing of loans with existing federal guaranty (ie. SBA 7a, USDA - B & I, etc.)
 - no refinancing of loans to an associate or affiliate of the Borrower, SBIC or for NMTC Borrower.
 - no refinancing of loans which are already part of an existing SBA 504 project.
 - no refinance of loans that potentially shift the loss to SBA.

Please note: The above is based upon preliminary information provided to BHED and that actual program rules may vary.

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