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SBA 504 Refinance Program Now Available!

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Available June 2016: Long-Awaited SBA 504 Refinance Program



Capital Matrix has been studying the details of the new 504 refinance program available June 24th, and we are ready to answer your questions!

This SBA 504 program will enable businesses to secure below-market, 20-year fixed interest rates while restructuring their existing commercial real estate debt and accessing equity for qualified business expenses. While each deal is different (and we encourage you to call us to discuss specifics), here are some key points about loan structure and eligibility you need to know:

SBA 504 refinance loans can be used to:

- **Refinance “qualified debt”**, even multiple loans, up to 90% LTV; 90% LTV applies to special-use R/E, too.

“Qualified debt” is a commercial loan, at least two years old, which primarily funded the purchase of a 504 eligible fixed asset used in the applicant’s business operation. (The existing loan may be a refinance of the original advance.) Loans refinanced must have been current on all payments the past year.

- **Refinance qualified debt plus advance of funds for “eligible business expenses”**, limited to 75% LTV.

“Eligible business expenses” which are limited to 25% of appraised value could include: other secured debt, business operating expenses incurred, but not paid prior to the 504 loan application. Expenses related to proposed business expansion are not eligible.

SBA 504 refinance loans cannot be used to refinance SBA 7a or 504 loans or other federally guaranteed loans (e.g. RDA loans).

Eligibility Requirements

Many of the eligibility requirements for the refinance program are the same as for other 504 loans, for example:

- The business must occupy 51% or more of the project real estate.
- The business must anticipate meeting the SBA’s 504 job creation requirement or another development goal (e.g. to assist minority, veteran, or woman-owned businesses, exporters, or businesses in rural or revitalization areas).

There are a few differences between the refinance loans and regular 504 loans, including:

- A business must be at least two years old—with no change in ownership (even partial) during those two years.
- The annual SBA subsidy rate charged is just slightly higher (.04%) on refinance loans.
- While the appraised value of the property establishes the project amount and the structure, the SBA does not require that the appraisal be obtained prior to application.

Not surprisingly, there are a few wrinkles in this new program and it may not work in every case. **If you have a borrower who might benefit from the SBA 504 refinance program, [contact](#) Capital Matrix** and we will be happy to discuss their specific need.

Current Interest Rates

4.23%
20 year loan

4.19%
10 year loan
(effective rates)



R. Grey Jewelry Gallery benefited from the 504 refinance program in 2011.

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[\(208\) 383-3473](tel:(208)383-3473)
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