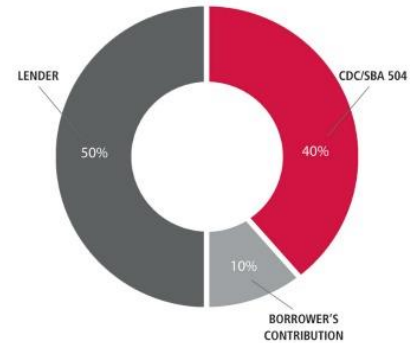


SBA 504 Loan Refinance Program

Banks & SBA offers refinance of owner/user real estate and heavy equipment loans through the SBA's 504 program.

SBA 504 Loan Program

The SBA 504 loan program provides funding for small businesses to cover costs associated with fixed assets, usually Real Estate. For businesses that qualify, this government-guaranteed program provides up to \$5 million loans.



BENEFITS

- Up to 90% loan to value
- Low fixed rate on SBA portion of the loan
- Cash out for business operating expenses

ELIGIBILITY

Loans eligible for refinance

The refinance must include at least one loan that meets the following criteria (referred to as the Qualified Debt):

- A commercial loan that was primarily used for, and is secured by, owner-occupied (51%+) commercial real estate and/or heavy equipment with a useful life of at least 10 years. Up to 15% of the proceeds of this loan may have been for other business purposes.
- The loan was incurred at least 2 years prior to application date, and has been secured by the fixed asset collateral for at least 2 years.
- Loan proceeds benefitted the operating company that is applying for the loan, and that entity has not changed ownership in the 2 years prior to application.
- There have been no payments over 30 days late in the 12 months preceding application.
- Federally guaranteed debt (SBA or USDA) and existing 504 first mortgages are NOT eligible to be refinanced

Additional loans that are secured by the same collateral as the Qualified Debt may be included in the refinance package if they have been secured by this collateral for at least 2 years, and there have been no payments over 30 days late in the 12 months preceding application.

If the refinance request only includes debt(s) that meet the above criteria, the loan to value maximum is 90%.

Cash out refinance

Refinance requests may include cash out to be used for business operating expenses (salaries, utilities, inventory, etc.) that have been incurred but not paid at the time of application, and/or will be incurred within 18 months of application. Cash out may not include fixed asset purchase/remodel/expansion. The maximum loan to value for these transactions is 75%, and cash out is limited to 25% of the appraised value of the collateral.

TERMS

Loan terms and structure generally mirror the standard 504 program with the following exceptions:

- The effective rate is slightly higher than for purchase transactions (approximately 4.4 basis points for the 2016 fiscal year)
- The maximum loan to value for transactions that include cash out is 75%.

LIMITATIONS

Refinance is now a permanent part of the 504 program; however, the following limitations apply:

- Refinance will be available in years where the 504 program is operating at zero subsidy; this is the case for the 2016 fiscal year
- Individual CDCs may loan up to 50% of their prior years' production as refinance transactions.