

## CATAWBA REGIONAL DEVELOPMENT CORPORATION

### **New SBA 504 Refinancing Program**

- ✓ Originally authorized by the Small Business Jobs Act of 2010, the program expires September 27, 2012.
- ✓ For lenders, the program provides an opportunity to improve the bank's loan-to-value position. The program also assists borrowers with improving cash flow through a longer amortization and fixed interest rate on the SBA 504 loan.
- ✓ Similar to a typical SBA 504 loan except no expansion or acquisition required. Bank provides not less than 50% of the outstanding debt (which should also be less than 50% of the fair market value (FMV) of the pledged Eligible Fixed Assets); SBA provides no more than 40% of the outstanding debt (which should be less than 40% of the FMV of the pledged Eligible Fixed Assets). The borrower's contribution must be 10% of the project and may consist of cash or verified equity from FMV in the pledged assets.
- ✓ Best suited for borrowers that have made their payments on-time but where the lender is unable or unwilling to refinance an upcoming balloon payment.
- ✓ Financing available for up to 90% of appraised value of the Eligible Fixed Assets securing the loan or 100% of outstanding principal balance of the loan being refinanced, whichever is less. No "cash out" refinancing.
- ✓ Borrower's contribution may be in cash, equity in the collateral being refinanced, or equity in other pledged long-term fixed assets.
- ✓ New appraisal required for all pledged assets securing the loan. The appraisal must be current within six months of application, include SBA as a client of the report, and be submitted to SBA at the time of application.
- ✓ Must have at least one (1) existing full-time equivalent (FTE) employee per \$65,000 loaned by SBA, meet one of SBA's Public Policy goals (i.e., minority owned business, veteran owned business or some other Public Policy goal), or project to create one (1) FTE employee over the next two years per \$65,000 loaned by SBA.
- ✓ Higher on-going guarantee fee (1.043%) will result in slightly higher debenture rate for SBA refinancing projects. This may adjust in FY2012 and is determined based on SBA's approval date.
- ✓ Loans must close and fund within six months of SBA approval. Any delinquency between loan approval and SBA closing/funding must be reported as an "adverse change."
- ✓ No additional equity requirement for "special" or "limited" purpose buildings such as hotels, bowling alleys, etc.