



SOUTHERN DEVELOPMENT COUNCIL, INC.

Providing Financial Solutions for Small Businesses since 1983.

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SBA 504 Debt Refinance

SBA offers two debt refinance options under the 504 program for Qualified Debt. The two options include:

With
Expansion

OR

Without
Expansion

What is Qualified Debt?

- Existing Debt must be at least **6 months old**
- Must have been used for at least **85% fixed assets** with a 15% allowance for non-fixed assets
- New payments must show a **10% savings** from existing payment schedule (If a balloon--automatically qualifies)
- Existing debt must be for the **benefit of the Small Business** seeking financing.
- Small Business seeking financing must show at least **2 years of operations** under current ownership.

What can you do with a 504 Debt Refinance:

- Refinance **Same Institution Debt** (under specific guidelines)
- Refinance Existing **SBA 504 or 7a debt** (as well as conventional loans)
- **Utilize equity** in the existing land/building if owned more than 2 years
- Qualify for a cash out for **eligible business expenses** (without expansion only) -up to 20% of appraised value
- Extend term of loan up to **25 years**
- Build in **closing costs** associated with the debt being refinanced
- Refinance **more than one loan** at a time as long as each loan is considered "Qualified Debt"
- Can refinance and expand at **separate locations** in one request (with expansion only) -Must be the same industry.
- Can refinance up to **90% LTV** (if EBEs are included, only 85%)

With Expansion

VS

Without Expansion

The refinance of existing debt as well as an expansion of business operations

Cost of the Refinance cannot exceed the cost of expansion

90% LTV

Straightforward refinance of existing debt

Can include a cash out for Eligible Business Expenses up to 20% of appraised value.

90% LTV (Unless EBEs are included- 85%)

What are the benefits of the 504 Debt Refi Product?

Low Down Payment

Reduced Collateral Need

Extended Repayment Terms

Lower loan payments

Projected Income Consideration

Fixed Interest Rate

Shared and Mitigated Risk

More Lending & Exposure Opportunities

SBA 504 & 7a Loans are eligible for refinance

Priority Lien Position for lending partners

CDC can go \$ for \$ with the bank up to 40% of the total project

Can borrow \$ for \$ of refinanced debt to expansion costs

Follows SBA 504 Regular Approval Process with funding occurring within 9 months

Typical Documentation for Debt Refinance Projects:

Original Promissory Note

Recorded Mortgage

Loan Payment History

Original Settlement Statement

If EBEs are included, an itemized list is required

Loan docs for most recent debt to be refinanced

***Also includes all typical documentation of a regular 504 application.**