U.S. Small Business Administration



SBA 504

REFINANCE WITH EXPANSION

LOAN STRUCTURE

- A bank finances 50% with a traditional loan.
- SBA finances 40% through 504 Program.
- Borrower provides 10% Equity/Cash Injection.

PROGRAM HIGHLIGHTS

- Commercial financing with below market, fixed rates.
- Loan amortization terms up to 20 years (real estate).
- Loan down payment, usually 10%.

"QUALIFIED DEBT" ELIGIBLE FOR FINANCING

- Substantially all (85% or more) of the proceeds from the existing debt was used to acquire an eligible fixed asset from a commercial loan.
- 15% or less was incurred for the benefit of the small business (ex. working capital)
- Debt was incurred less than 6-months ago
- Businesses may use the SBA 504 to repay an existing government guaranteed loan (including SBA/USDA).

EXPANSION

- If the Project involves expansion of an Applicant, any amount of existing indebtedness that does not exceed 100% of the cost of the expansion may be refinanced.
- The debt being refinanced will be added to the expansion cost to establish the total project costs, if all the conditions discussed below are met.
- A "Project involves Expansion" if it involves the acquisition, construction, or improvement of land, building or equipment for use by the Applicant

ELIGIBILITY

- Debt being refinanced incurred (seasoned) no less than 6 months prior.
- Refinance must show a "substantial benefit" meaning that refinance must show at least a 100% improvement over the current installment payment.
- The Borrower must have been in operation for all of the 2-year period ending on the date of application.
- SBA amounts up to $5 million dollars.

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