

Fast Facts About SBA 504 Debt Refinance Program Launching in June

Tools to Gear Up for Refinance Hard Money and Conventional Loans with Low cost SBA Financing

Congress adopted the Omnibus Bill at the end of December with great news for business owners seeking to restructure eligible debt to help improve their cash flow, which in turn, will enhance their viability and support growth and job creation. The Commercial Real Estate and Economic Development (CREED) Act was originally enacted as part of the Small Business Jobs Act of 2010.

It expired only 15 months later, but in that time it was responsible for refinancing \$5 billion of debt for U.S. small business owners at no cost to taxpayers, according to the facts provided by the National Association of Development Companies (NADCO), the association that represents SBA 504 lenders throughout the country. The program saved business owners, on average, more than \$20,000 per month.



While SBA continues to work on the implementation of the new permanent offering of loan programs for CDC's across the country, SBA has designated June 1, 2016 as the launch date for the SBA 504 debt refinance program.

The following are "fast facts" we know today to help business owners and their lending partners gear up for the mid-year implementation.

- **FAST FACT #1** - 504 refinance to be available for eligible fixed assets including real estate and equipment that is pledged as collateral
- **FAST FACT #2** - 504 refinance to be available for conventional loans, private lender notes, and hard money loans. (Refinance of government loans was not eligible in the previous program and is not expected to be approved in this program)
- **FAST FACT #3** - 504 refinance shall facilitate savings to the borrower as a result of refinancing the debt
- **FAST FACT #4** - 504 refinance requires the borrower to occupy 51 percent of the commercial real estate being refinanced for the business
- **FAST FACT #5** - 504 refinance projects includes refinance funds from three sources:
 1. Third-Party Lender - not less than 50%;
 2. SBA 504 LOAN - not more than 40%; and
 3. Borrower contribution - not less than 10% of the appraised value
- **FAST FACT #6** - 504 refinance may not exceed the outstanding principal balance of the proposed debt for refinance.

NADCO conducted research which documented that thousands of small balance commercial mortgage-backed security loans will mature in the next three years. As such, many business

owners will face large balloon payments or have to refinance their debt. According to SBA.gov there are nearly 28 million small businesses in the United State and they account for 54% of all sales. Small businesses also provide 55% of all jobs and 66% of all net new jobs since the 1970s. The small business sector occupies 30-50% of all commercial space in America, estimated at 20-34 billion square feet. The small business sector is vital to America's economy and the health of our nation. The SBA 504 DEBT Refinance Program is another way we can help small business owners succeed.

Starting the process early is critical for the smooth refinance of fixed asset debt. For more information on the program or to find out how to get started, contact AmPac Tri-State CDC at info@ampac.com or call [909-915-1706](tel:909-915-1706).