

SBA 504 Refinance Guide

Boost your loan production with 504 Refi!



The SBA 504 Refinance Loan program is an opportunity for small businesses owners to refinance their existing commercial real estate loan, which functions under the same terms as a typical SBA 504 loan program. Current SBA borrowers are not eligible unless expanding.

Key Guidelines

- Can refinance one or more commercial loans that are secured to the same “Eligible Fixed Asset”
- Maximum refinance LTV - 90% of the value of collateral pledged for existing mortgage or secured debt(s). Cross collateralization of other fixed assets is allowed to get to 90%. Maximum refinance LTV - 75% of the value of collateral pledged when mortgage refinance request also includes “Eligible Business Expenses”
- The aggregate amount of eligible expenses cannot exceed 25% LTV
- Loan(s) to be refinanced must be at least 24 months old and in good standing for the last 12 months
- Business must be operating for 2 or more years with no full or partial ownership changes prior to application
- Appraisal is not required to submit refinance application, but will be a condition of funding. An appraisal is required for the cash out option
- Business must be at 51% occupancy at the time of application submission
- Refinance requests must be up to 50% of the SBA 504 dollars lent in the prior fiscal year
- Cash out is allowed, and can be used for business expenses incurred within 18 months and cannot be more than 20% of the total project with a loan to value of 85%. Renovations cannot be funded with the cash out, but repairs are eligible

Advantages

- Boost the bank’s loan production
- Minimize risk - banks can limit their exposure to 50% of total 504 loan
- Generate new fee income coupled with a quality portfolio loan
- Free up your client’s trapped capital
- Combined LTV (1st & 2nd) up to 90%
- Up to 25-year, below-market, fixed interest rate for the 504 loan

For lenders interested in learning more, please email marketing@coloradolendingsource.org to schedule a virtual training or contact us should you have questions. Colorado Lending Source is here to be your resource!

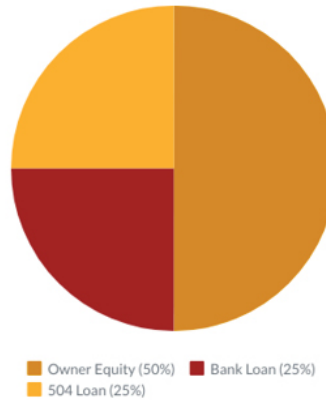
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Refinance Structure Examples



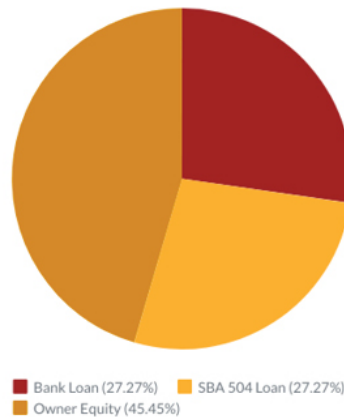
Refinance Structure Example 1

Appraised Value	\$2,000,000
Outstanding Debt	\$1,000,000
Owner Equity	\$1,000,000
Bank Loan	\$500,00
SBA 504 Loan	\$500,000
Total Refinance	\$2,000,000



Refinance Structure Example 2

Appraised Value	\$2,000,000
Outstanding Debt	\$1,000,000
Vehicle Debt	\$200,000
Owner Equity	\$1,000,000
Bank Loan	\$600,000
SBA 504 Loan	\$600,000
Total Refinance	\$2,200,000



Refinance Structure Example 3

Appraised Value	\$2,000,000
Outstanding Debt	\$1,000,000
Vehicle Debt	\$200,000
Cash-out	\$200,000
Owner Equity	\$1,000,000
Bank Loan	\$700,00
SBA 504 Loan	\$700,000
Total Refinance	\$2,400,000

