

# SBA 504 DEBT REFINANCING GUIDE

## WHAT IS THE 504 REFINANCE PROGRAM?

*A program through the U.S. Small Business Administration that allows for the refinancing of existing commercial real estate or machinery/equipment at low, fixed interest rates.*

## ELIGIBILITY REQUIREMENTS

- Existing SBA 504 loans and other government guaranteed loans are not eligible.
- The Borrower must have been in operation for two years.
- Debt must have been incurred not less than two years prior to the date the refinance application is received by the SBA.
- The loan to be refinanced must be current on all payments (no payment more than 30 days past due) during the last 12 months.
- At least 85% of the original loan was used to acquire, construct or improve fixed assets.
- Borrower must occupy at least 51% of the subject property at the time of application.

## LOAN SIZE, RATE & TERMS

- For projects that refinance only Qualified Debt and Other Secured Debt, the maximum loan to value of the Refinancing Project allowed is 90%.
- For any projects that include the financing of "Business Operating Expenses," a maximum 75% loan to value of the Refinancing Project will apply.
- The loan may be a 10 or 20-year term and the refinanced total can be split equally between lender and CDC.

## ELIGIBLE USES OF FUNDS

- **504 loan proceeds** are to be used to refinance qualified debt with no money going toward expansion and funds may not be used to repay an existing government guaranteed loan.
- **504 Debt Refinancing** must include Qualified Debt, and it may also include Eligible Business Expenses.
- A "Qualified Debt" is:
  - A commercial loan that is at least two years old
  - Not subject to a guarantee by a federal agency
  - The proceeds were used to acquire an eligible fixed asset
  - Incurred for the benefit of the small business
  - Current and secured by eligible 504 assets
- "**Eligible Business Expenses**" are debt that has been secured for at least two years for which the Borrower has been current on all payments due for no less than one year, including:
  - Pay a business line of credit
  - Renovations
  - New equipment purchases
- "**Business Operating Expenses**" include:
  - Salaries
  - Rent
  - Utilities
  - Inventory
  - Other obligations of the business

## CONTACT INFORMATION

*For additional information about the program or to start the loan application process, please contact the TPRDC staff at (806) 331-6172 or visit [www.tprdc.com](http://www.tprdc.com).*