

SBA 504 REFINANCING PROGRAM

February 17, 2011

Today the U.S. Small Business Administration (“SBA”) announced the launch of the much anticipated 504 refinancing program authorized under the Small Business Jobs Act.

Under the refinancing program, a small business facing maturity of commercial mortgages before December 31, 2012, may be able to refinance their mortgage debt via a loan structured much like the SBA’s traditional 504 loan.

The SBA will begin accepting loan applications on February 28, 2011, and the program will end on September 27, 2012. The following are some of the key features of the refinancing program:

- Eligible borrowers can finance up to the **lesser** of (a) 100% of the outstanding principal balance of the borrower’s current mortgage loan; or (b) 90% of the current appraised value of the subject property.
- The refinance program is structured like the SBA’s traditional 504 loan program and borrowers will work with third-party banks and SBA-approved Certified Development Companies (“CDCs”), in a traditional 10%/50%/40% split.
- Borrowers must provide evidence that their existing mortgage loan is current, and has been current for the preceding 12 months.
- New appraisals of the property are required.
- First mortgage loans on existing 504 projects are not eligible.
- “Cash out” refinancing is not permitted.

For more information, please feel free to contact Nick Jellum or David Anastasi.