

SBA 504 Refinancing Program Eligibility and Guidelines



1. The original qualified debt must have been in existence at least two years and may consist of multiple loans secured by the same property.
2. The loan must be in good standing with no 30-day delinquencies or payment deferrals for the last year (with either the original terms or modified payment terms that are in writing).
3. At least 85% of the original loan proceeds must have been for SBA 504 eligible costs (i.e.: owner-occupied RE and/or M&E). Verification is required by a settlement statement, disbursement sheet, or similar document.
4. De minimis changes in ownership over the two-year period prior to the date of application are allowed provided the changes do not result in unproven ownership/management.
5. The combined lender loan and SBA 504 loan cannot exceed 90% of the appraised value of the 504-eligible fixed asset. The lender loan does not have to be 50% of the fair market value of the asset, however, it must be at least equal to the SBA net debenture proceeds, which may not exceed 40% of the FMV. Proceeds may include prepayment penalties, swap cancellation fees, etc.
6. "Cash out" refinancing is available up to a limit of 85% of the FMV of the fixed asset. Cash out must be used for eligible business operating expenses (BOE) with a limit on the cash out of 25% of the FMV of the fixed asset. BOEs are expenses incurred but not yet paid prior to the date of application or that will become due for payment within 18 months after the date of application. Examples of business operating expenses include utility bills, rent, salaries, inventory, etc. or pay off/down of a working capital line of credit.
7. An appraisal is not required at the time of application but is encouraged. An existing appraisal, to be valid, must be dated within one year of the date of SBA application and the U.S. Small Business Administration must be named as an intended user on the appraisal report.
8. A new environmental report will be required. The level of environmental evaluation required depends upon the property type and use.
9. If there is a collateral shortfall, the deficiency can be paid by the borrower or borrower may pledge other fixed assets satisfactory to SBA to meet the 90% LTV limitation. In the event the shortfall is being satisfied by equity in another fixed asset, a fair market value appraisal and proper documentation of outstanding debt on said asset will be required.
10. The borrower must occupy at least 51% of the building at time of the SBA 504 loan application.
11. The program cannot refinance existing federal guaranty loans or other SBA loans.
12. The refinance program increases the SBA 504 on-going guarantee fee (the interest rate) by 4.0 basis points (0.04%).

For more information, please contact MCDC at (517) 886-6612 or www.michigancdc.org

The above information is only a partial list of requirements of the U.S. Small Business Administration 504 Refinance program, other terms and conditions apply. All applications are subject to credit approval by both MCDC and the U.S. Small Business Administration. Last revised 11/30/2016.