

504 DEBT REFINANCING PROGRAM

Recent changes give Certified Development Companies the ability to refinance existing loans for fixed assets (land, buildings, or long-term use equipment) that would have previously qualified for a 504 loan.

In order to do this:

- The business must create or retain a job for every \$65,000 guaranteed by the SBA.
- The borrower must display that it was current for one year prior to the date of refinancing on all previous debt that is being refinanced.
- The new financing must prove that the business will significantly benefit even after prepayment penalties, financing fees, and other financing costs are taken into account.
- The debt that is being refinanced must be in relation to the expansion.
- The existing debt was incurred for the benefit of the small business.
- Fixed assets are used as collateral for the existing debt.
- Terms and interest rates must prove better than those of the existing debt.

Small businesses that are expanding may refinance existing eligible debt as long as the amount being refinanced is 50 percent or less of the total cost of expansion. Businesses are then able to enhance capacity for growth and job retention and creation, as well as, improve cash flow.

Interest Rate
for
May 2010

5.52%

20 year term

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COUNCIL FINANCE SNAPSHOT

