

# 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 may be eligible under certain conditions.
- The Borrower must have been in operation for two years.
- Debt must have been incurred not less than six months prior to the date the refinance application is received by SBA.
- A loan transcript is required on all qualified debt to be refinanced.
- At least 75% 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, the maximum loan to value of the Refinancing Project allowed is 90%.
- For any projects that include the financing of "Eligible Business Expenses," a maximum 85% loan to value of the Refinancing Project will apply.
- The loan may be a 10, 20, or 25-year term and the funding for the Refinancing Project must come from three sources: 1) a third party lender loan that is at least as much as the 504 loan, not more than 40% from the 504 loan and not less than either a 10% or 15% contribution from the Borrower.

## ELIGIBLE USES OF FUNDS

- **504 loan proceeds** are to be used to refinance qualified debt with no money going toward expansion.
- **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 six months old
  - The proceeds were used to acquire an eligible fixed asset
  - Incurred for the benefit of the small business
  - Has been secured by Eligible Fixed Asset(s) for at least six months
- **"Eligible Fixed Assets"** are one or more long-term fixed assets, such as:
  - Land
  - Buildings
  - Machinery
  - and equipment acquired, constructed, or improved by a small business for use in its business operations
- **"Eligible Business Expenses" include:**
  - Salaries
  - Rent
  - Utilities
  - Inventory
  - Other expenses 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).

