

SBA 504 Debt Refinance Checklist

STEP 1: BASIC ELIGIBILITY

- Original debt incurred 6 months ago
- 85%+ of original use of proceeds for commercial real estate, may also include equipment & other long-term fixed assets
- 100% incurred for the benefit of the business
- NO change of ownership in business for past 2 years, limited change of ownership may be considered if no change of management
- Review of payments for past 12 months to determine credit worthiness
- Modifications in past 6 months to be reviewed on case by case basis
- Federally guaranteed debt may be available for refinancing under specific conditions
- Business occupies 51%+ of commercial real estate

STEP 2: DRAFT FINANCING STRUCTURE

| PROPOSED USE OF FUNDS: | | \$ | % | Appraised/Est. Value |
|---|----|----|-------------|--|
| Qualified Debt -CRE Mortgage Balance | \$ | | | \$ |
| Other qualified debt (FF&E) | \$ | | | \$ |
| Business Operating Expenses | \$ | | | Max 20% |
| Professional Fees (Appraisal, Enviro, Title) | | | | |
| TOTALS | | | | \$ |
| | | | LTV* | Max LTV w/ BOE = 85% |
| | | | | |
| | | | | |
| SOURCES OF FUNDS: | | \$ | % | |
| Equity Injection : equity in land/building** | | | | = Total Appraised Value - Total Use of Funds |
| SBA 504 Loan*** | | | | = Total Use of Funds / 2 |
| Primary Lender Loan | | | | = Total Use of Funds / 2 |
| TOTAL | | | | |
| | | | | |
| | | | | |
| Notes: | | | | |
| * Max LTV 90% for straight refinance; 85% with cash out for Business Operating Expenses | | | | |
| ** Borrower Equity: min. 10%; 15% for special purpose property | | | | |
| *** SBA 504: Max 40%, Must be <= Primary Lender Loan | | | | |

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STEP 3: PRELIMINARY DOCUMENTATION

- Original debt(s) & lien/security instruments
- Any & all modifications or refinances since original note
- Current debt & lien/security instruments
- Original cost documents – purchase agreements, settlement statements, invoices, etc.
- 12-month payment transcript
- Current payoff amount(s)
- Appraisal/valuation – appraisal may be submitted after approval
- May include **CASH OUT** for “**Business Operating Expenses**” including salaries, rent, utilities, inventory or other business obligations that are incurred but not paid or that will be due within 18 months of application (limited to 25% of appraised value & 85% LTV)
- Two most recent years of **Business and Personal Tax Returns** (principals owning 20% or more)
- Interim Financial Statements within 90 days of application**, including Balance sheet, income statement, A/R & A/P aging reports and debt schedule

This is a very basic overview of how to work through a straight refinance using the SBA 504 loan. There are many variables at all steps above – call your Dakota Business Lending loan officer to discuss the details!

STEP 4: CONTACT US

Contact a loan officer in your area to discuss your project and what the rest of the application process will look like.



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to help small
businesses gain
access to the best
financing solutions
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