

SBA 504 Debt Refinance Checklist

STEP 1: BASIC ELIGIBILITY *changes effective 7/29/21

- Original debt incurred ~~2+ years ago~~ **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
- ~~Current on all payments for past 12 months~~ **Review of payments for past 12 months to determine credit worthiness**
- ~~No modifications in past 12 months except for extension of term~~ **Modifications in past 6 months to be reviewed on case by case basis**
- ~~Not currently federal guaranteed debt (i.e., SBA 504, SBA 7(a), USDA guarantee, etc)~~ **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.



Let's continue to help small businesses gain access to the best financing solutions available!