

Aug 24, 2012, 3:00am MST

## SBA refinance program set to expire Sept. 27

By Tim Gallen

Reporter- *Phoenix Business Journal*

A federal program that allows small businesses to refinance real estate and capital assets debt will expire next month, unless Congress takes action.

The [U.S. Small Business Administration's](#) 504 debt refinancing program, which provides long-term, fixed-interest rate loans for small businesses, will end Sept. 27. It was a part of the 2010 Jobs Act as a temporary addition to the SBA's 504 loan program, which has been available since the early 1980s.

The program was set up to allow small businesses facing balloon payments or significant rate adjustments to refinance conventional commercial real estate loans into an SBA loan with a low, fixed-interest rate over 10 or 20 years, said [Lisa Alberti](#), a loan officer at CDC Small Business Finance, which helps coordinate the program for SBA.

"These folks may have a hard time refinancing and accessing additional working capital they need to stay in business," Alberti said. "This SBA refinance program enables them to leverage low rates and long-term, stable financing, as well as take cash out for eligible business expenses, such as retaining jobs and hiring additional workers."

The current refinance rate through the program is 4.65 percent.

According to the National Association of Development Cos., more than \$2 billion in long-term capital has been provided to small businesses across the U.S. through the program.

In Arizona, 22 loans totaling \$36.7 million have been provided via the SBA 504 program from Oct. 1, 2011, through July 31 of this year.



Kirk Butler, owner and CEO of Cactus Stone & Tile, explains to loan officer Lisa Alberti of the Small Business Finance Corp. how slabs of rare rock are quarried. Butler credits the SBA refinancing program for helping him stay in business.

*Jim Poulin/Phoenix Business Journal*

Twelve of those loans, at a \$22.7 million value, were handled by CDC Small Business Finance.

[Kirk Butler](#), owner and CEO of Cactus Stone & Tile, a wholesale ceramic tile distributor, said the program allowed him to remain in business after his decades-long relationship with his bank turned sour.

He owned three industrial buildings with significant equity, even at the market's present values, Butler said, adding that he almost spent a whole year looking for a new commercial bank. He eventually discovered the SBA refinance program.

"The SBA 504 program provided a way to refinance my buildings and use the equity to completely pay off my commercial bank debt," he said.

The move basically saved his business, allowing him to continue to employ his 37 workers and support the recovering building industry here in Arizona.

[Mary Perez](#), whose company Promar Corp. owns six Wendy's fast-food franchises, said she and her husband, Robert, took advantage of the SBA program to refinance one of their properties. The move provided for a more favorable interest rate and freed up some cash.

The extra money the refinance made available allowed the couple to hire additional employees and increase the pay of existing workers.

"We created some higher level jobs and created additional staffing and labor hours," Perez said.

As the country has slogged through the recession and the massive banking and auto industries received bailouts, she said the SBA program is really the only huge benefit the government has provided for small businesses during the economic downturn.

"All everybody else is doing is raising taxes on us," Perez said. The SBA refinance program is "one of the only lifelines that have come from Washington."

Without the program, Butler said, big commercial banks will be the only option left for small businesses.

"Big commercial banks, that have been dubbed 'too big to fail' will needlessly put scores of small businesses out of business," Butler said. "Bankruptcy attorneys will flourish, bankruptcy courts will be bogged down, and lives and families who have worked hard putting the real American Dream to the test — self employment in a free enterprise system — will be destroyed."

If the program ends, the U.S. economy will continue to suffer, Butler said. "The backbone of the U.S. is small business. We are being crushed, squeezed, made to sacrifice and work for nothing just to keep our doors open."

Alberti agreed the program should be extended, but encouraged businesses to act quickly. Because of this fall's presidential election, any potential extension of the SBA 504 refinance program is unlikely, she said.

"I know that there are many more businesses out there in the same or similar situations as my clients who have taken advantage of this refi program," she said. "It's just a matter of getting the word out so that they know help is available; however, they need to act really, really quickly before the program ends in September."