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Working Capital Business Expenses

The following expenses are not defined as working capital costs under the SBA 504 Refi program:

- Acquiring a new business, commercial real estate, or equipment
- Paying down an owner's personal expenses or retiring owner's personal debts
- Change of ownership with buyout or buy down of co-owner
- Paying off or paying down debts owed by small business to its ownership

Evaluate Eligibility

1 Prequalify your client

- With pre-qualification, business applicant meets all SBA eligibility standards for qualifications, size, use, occupancy, for a standard 504 loan

2 Qualifying Existing Debt

- Substantially all proceeds loan (75%) were used for 504 eligible costs. If a previously refinanced loan had cash taken out, it can still meet the SBA qualifying factors. Talk to your loan officer and allow them to quickly qualify the refinance request and determine SBA eligibility; you may be surprised as to the options you still have available.
- 6-month-old debt/payments current and/or on approved plan paid as agreed.
- Qualified Debt(s) is collateralized by an SBA Eligible Asset

3 Financing Working Capital

- These costs are no longer limited to 20% of the value of the collateral. Now the maximum LTV for refinances with working capital is 90%.

4 LTV Limitations

- Mortgage or secured debts on same asset - Max 90% LTV



Get Started — Prequalify Your Clients In 24 Hours

Work with your CDC Small Business Finance loan expert to get started

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Boost Loan Production

Key Changes To SBA Refinance Without Expansion

As of 11/1/2024

- Refinancing existing government guaranteed debt is now easier. The SBA now only requires the proposed loan payments be less than the existing payments (it used to require a 10% reduction in payments);
- The requirement that at least 85% of the original use of proceeds of the debt being paid off was used for eligible fixed assets has been reduced to 75%.
- SBA will allow for certain "Other Secured Debt" to qualify as an Eligible Business Expense and be paid off with loan proceeds. This includes debt incurred prior to the loan application that has been secured by the same Eligible Fixed Assets securing the Qualified Debt and incurred for the benefit of the small business.

Eligible Project Costs

- Fees associated with the SBA 504 Refi - appraisal, environmental, title, points/ interest on interim financing - can be incorporated into the new loan.
- Any expense of the small business due now or within the next 18 months of the SBA 504 loan application can be incorporated into the new Refi loan as working capital.

Existing Policies that Remain

- Can refinance one or more commercial loans that are secured by the same "Eligible Fixed Asset."
- Maximum refinance LTV - 90% of the value of collateral pledged for existing mortgage. If proposed collateral's appraisal value is below 90%, cross collateralization of other fixed assets are allowed to get to prerequisite 90%.
- Maximum refinance LTV - Businesses can now leverage up to 90% of the value of collateral pledged when the refinance request also includes working capital (WC). The aggregate amount of WC previously could not exceed 20% LTV.
- Business must be operating for 2 or more years with no full or partial ownership changes that would make the business be considered "New".
- Appraisal is not required to submit the refinance application to the SBA, but will be a condition of funding.
- Business must be at 51% occupancy at the time of application submission.
- Refinancing may include prepayment penalties and or other fees associated to pay off of existing qualified debts assuming loan to value caps noted above are not exceeded.
- SBA will continue to consider releasing other collateral (machinery & equipment) that the existing or the original lender may have used to secure the loan if the subject real estate provides sufficient Loan to Value.

Offering a Continuum of Lending, Investment, and Advising Solutions

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