



Marine Retailers Association of America

PO Box 725 Boca Grande, FL 33921

708.763.9210 phone 708.763.9236 fax

mraa@mraa.com www.mraa.com

MEMBERSHIP ADVISORY

SBA 504 Loan Program to Refinance Existing Debt

The Federal Small Business Administration has expanded its 504 Certified Development Company loan program to allow small businesses to refinance existing loans used to purchase real estate and other fixed assets. The changes were authorized in the American Recovery and Reinvestment Act of 2009.

These permanent changes will allow small businesses to restructure eligible debt to help improve their cash flow which, in turn, will enhance their viability and support growth and job creation. The SBA 504 loan program can be used to purchase business real estate or fixed assets, such as heavy equipment or machinery.

The SBA 504 program's refinancing changes are the latest in several Recovery Act provisions that have been implemented in recent weeks. On March 16, the agency temporarily raised to 90 per cent the guarantee level on many of its 7 (a) program loans, reduced fees on both 7 (a) and 504 loans, and doubled to \$5 million the surety bond guarantee level for small businesses competing for construction and repair services.

Additionally, on June 15, SBA ARC loans became available for viable small businesses facing immediate financial hardship.

The 504 loan program is administered through 271 Certified Development Companies across the nation. Specific changes include debt refinancing allowing the 504 program to include a limited amount of debt refinancing if there is a business expansion and the debt refinanced does not exceed 50 per cent of the projected cost of the expansion. Expansion includes any project that involves the acquisition, construction, or improvement of land, buildings, or equipment for use by the small business.

The SBA has identified several key qualifications including the borrower must have been current on all payments of existing debt for one year, the existing debt is collateralized by fixed assets, the new financing provides a substantial benefit to the borrower, and debt being re-financed was incurred to acquire land, to construct a building, or to purchase equipment.

For more information on the 504 loan program and eligibility requirements go to www.recovery.gov or www.sba.gov/recovery.