



Great Lakes Asset Corporation

SBA Certified Development Company

504 LOAN PROGRAM DEBT REFINANCING UPDATE

1. The program is designed for refinancing of small business real estate or equipment loans. No restriction on maturity date.
2. Existing 504, 7a, USDA, tax exempt bonds or other government backed loans are not eligible at this time.
3. New or expansion projects are not eligible under this program and would still be processed under the traditional 504 loan.
4. The debt must have been in place for the small business for at least two years; ownership or entity may not change; no exceptions. The loan may not have been on deferral or have any payments past due for more than 30 days in the last 12 months.
5. At least 85% of the original use of proceeds for the proposed refinanced loan must have been for fixed assets, the additional 15% may have been for inventory, working capital or business expenses. GLAC will request proof from the lender of all use of proceeds.
6. In the past the bank had to provide lien documentation for the loan being refinanced since its inception. The bank no longer has to provide a genealogy of the debt; the existing debt instruments are acceptable and preferably the loan documents from the inception of the loan are very helpful. All the possible renewals, etc are no longer required. If it is impossible to obtain the original use of proceeds and debt instruments for the loan, certifications by the bank, GLAC and the borrower will be accepted as proof for the use of proceeds at the time of the original loan.
7. An independent appraisal ordered by the lender cannot be older than 6 months. The total of the lender loan and the 504 loan may not be more than 90% of the fair market value. It is highly recommended that the appraisal be sent in with the SBA 504 application so that we are able to determine the eligible amount of the loan and so it does not hold up the debenture sale.
8. The lender loan, in a first lien position, can be for 50% of the project total or at least as much as the 504 loan amount. The 504 loan amount is restricted to 40% of the project refinancing total. The borrower must inject at least 10%. The borrower injection of at least 10% may be cash or if available equity in the project fixed assets substantiated by an appraisal.

9. New to the program: if there is available equity after the amount needed for the injection the borrower may include “Eligible Business Expenses” in the project refinancing total such as utilities, salaries, real estate taxes, and rent expenses that will occur within the next 18 months. The borrower may also include inventory or payoff of LOC, provided you can prove that the funds in the LOC were used for business expenses. In some instances seller debt may also be included. The borrower or banker will be required to provide cancelled checks, etc. to prove the expenses. Proof will also need to be provided for any expenses paid after the debenture sale.
10. There are no job creation requirements; however, the business must have at least one full time employee for every \$65,000 of 504 funds borrowed or be eligible under a public policy goals or community development.
11. The approved SBA 504 refinancing loan must fund (debenture must sell) within 6 months of the authorization (SBA approval) or it will be cancelled. GLAC may request a three month extension for good reasons.
12. There will be an ongoing guarantee fee of 1.103% which is part of the payment on the total unpaid balance of the 504 loan along with the current 504 fees.
13. In order to be eligible under the occupancy rules, the borrower must occupy 51% of the building currently.
14. All other traditional 504 requirements remain unchanged.
15. Bank loan may not be sold on the secondary market.

Since each project is unique, please contact GLAC staff for additional information. This is a great opportunity for long term (10 or 20 years), fixed- rate financing for small business owners with current debt.