



## Minnesota Business Finance Corporation

### Third Party Lender - SBA 504 Debt Refinancing Checklist:

- \_\_\_\_\_ Debt was incurred not less than 6 months prior to the day of the 504 application for the benefit of the small business concern has been collateralized by Eligible Fixed Assets.
- \_\_\_\_\_ Existing federal debts including 7(a) and 504 loans are eligible to be refinanced. For 7(a) loans, the existing lender must provide documentation that they are unwilling or unable to modify the current payment schedule. In the case of Same Institution Debt, if the Third Party Lender is the 7(a) lender, the loan will be eligible for 504 refinancing only if the lender is unable to modify the terms of the existing loan because a secondary market investor will not agree to modified terms. If including a 504 in the refinance, the entire TPL loan and SBA 504 loan must be included in the project.
- \_\_\_\_\_ The refinancing of federally-guaranteed loans will provide substantial benefit to the borrower. The new loan amount will be at least 10% less than the new payment. The refinancing will provide better terms, or rate of interest than the existing debt. If a balloon balance comes due within 5 years or less of the SBA application, the presence of the balloon payment automatically meets the “substantial benefit test”.
- \_\_\_\_\_ Small business concern must have been in business for two years prior to the submission of the application. A partial ownership change may be considered a new business if it results in new or unproven management and increased debt.
- \_\_\_\_\_ Provide copies of note, recorded mortgage, security agreement, UCC’s, settlement statements, and any other collateral documentation securing the existing debt. If loan was refinanced, obtain copies of original loan documents (note, mortgage, security agreement, UCC’s, settlement statement, etc).
- \_\_\_\_\_ If there are multiple refinances throughout the history of the loan, then provide copies of these loan documents (note, mortgage, security agreement, UCC’s, settlement statement, etc.) Note: SBA will expect the lender, if it is the original lending institution, to produce the necessary documentation.
- \_\_\_\_\_ If the Commercial Real Estate value supports the debt refinance, SBA can waive any liens on M&E purchased with original loan proceeds.
- \_\_\_\_\_ Documentation to prove substantially all (85% or more) of the proceeds of the original loan being refinanced must have been used for 504 eligible purposes; real estate purchase/improvement or long term equipment. The remaining amount (15% or less) was incurred for the benefit of the small business.
- \_\_\_\_\_ The small business must currently occupy at least 51% of the property.
- \_\_\_\_\_ 12 month payment transcript. Transcript should include bank name, borrower name, date payment is due, date payment is posted, amount of payment, original balance, remaining balance, late fees, etc. For same institution debt - transcript must be provided for the entire loan history.
- \_\_\_\_\_ Current payoff statement on loan(s) being refinanced.
- \_\_\_\_\_ Appraisal is not required at the time of application. Appraisal must be dated within one year of application. LTV max is 90% on non cash out refinance projects. (SBA must be listed as intended users.)
- \_\_\_\_\_ SBA allows Borrower’s equity in equipment to be counted towards Borrowers Contribution if the debt was originally used to acquire the specific equipment.

- \_\_\_\_\_ Special Purpose Project: At least 15% equity from borrower (As of 8/3/2020, reduced requirement to 10% until end of economic recession).
  
- \_\_\_\_\_ Bank commitment letter stating reason will not make the loan without SBA participation. Additionally, the Bank certifies it has no knowledge of default by the borrower on their existing financing nor knowledge or information that would indicate the likelihood of a default (MBFC will provide SBA form).
  
- \_\_\_\_\_ Bank must be in a 1<sup>st</sup> lien position and SBA in a 2<sup>nd</sup> lien position.
  
- \_\_\_\_\_ The TPL loan needs to be at least as much as the 504 loan. SBA loan cannot be more than 40% of the project/Appraised Value.
  
- \_\_\_\_\_ For CASH OUT REFINANCE: If borrower is utilizing equity to finance "Business Operating Expenses" (BOE):
  - \_\_\_\_\_ Max LTV is 85%. Business Operating Expenses portion cannot exceed 20% of appraised value.
  - \_\_\_\_\_ Verify BOE are due for payment within 18 months of the application date.
  - \_\_\_\_\_ Provide documentation of BOE such as invoices, bills, payroll receipts, cancelled checks, etc.