

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.
- _____ Small business concern must have been in business for two years prior to the application and occupy at least 51% of the building. A partial ownership change may be considered a new business if it results in new or unproven management and increased debt.
- _____ Existing federal debts including 7(a) and 504 loans are eligible to be refinanced. 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 need to provide substantial benefit to the borrower. The new loan amount will be at least 10% less than the new payment. If a balloon balance comes due within 5 years or less, this automatically meets the "substantial benefit test".
- _____ Provide 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.
- _____ Documentation to prove substantially all (75% 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 (25% or less) was incurred for the benefit of the small business.
- _____ 12 month payment transcript. 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, but must be dated within one year of application. (SBA must be listed as intended users.) LTV max is 90% on non-cash out refinance projects.
- _____ For CASH OUT REFINANCE: If borrower is utilizing equity to finance "Business Operating Expenses" (BOE):
 - _____ Max LTV is 85%.
 - _____ BOE portion cannot exceed 20% of appraised value and must be due within 18 months.
- _____ 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 1st lien position and SBA in a 2nd lien position.
- _____ TPL loan can't be less than 504 loan. SBA loan cannot be more than 40% of the project/Appraised Value.
- _____ SBA allows Borrower's equity in equipment to be counted towards Borrowers Contribution if the debt was originally used to acquire the specific equipment.
- _____ If the Commercial Real Estate value supports the debt refinance, SBA can waive any liens on M&E purchased with original loan proceeds.