

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. CDC to provide 10 day notice to existing CDC or 7(a) lender
- _____ 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.
- _____ 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 all refinance projects.
- _____ For CASH OUT REFINANCE: If borrower is utilizing equity to finance "Eligible Business Expenses" (EBE):
 - _____ EBE for operating expenses of the business due within 18 months, such as salaries, rent, utilities, inventory, etc.
 - _____ EBE for payoff of other secured debt which is in the name of the application and secured with same collateral. Debt was incurred not less than 6 months prior to 504 application, current on all payments, and proceeds cannot have been used for capital expenditures. Provide copies of loan documents and payment transcript.
- _____ 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.