

Positive Impact of the Stimulus Bill

On the U.S. Small Business Administration (SBA) 504 Loan Program

There were several provisions in the recently signed Stimulus Bill that will make SBA 504 financing even more attractive and beneficial to customers. The SBA is still studying the language of the bill and ***has not yet determined when these changes will take effect***. However, the following changes are expected to be implemented:

Reduction of SBA 504 fees:

- *Temporary* elimination of 0.5% bank participation fee
- *Temporary* elimination of 1.5% processing fee charged to Borrower (SBA will pay this cost until funding runs out)

Job Creation Requirement Changed:

The job creation requirement for the standard SBA 504 loan has been changed to one job per \$65,000 (from 1/\$50,000) that must be created within two years. As a reminder, the job criteria for manufacturing companies is 1/\$100,000 and there are several criteria under which customers may qualify for a waiver of the job creation requirement altogether.

Refinancing Allowed:

Historically, refinancing of existing debt has not been allowed under the SBA 504 program. A permanent change to the program regulations will allow the refinancing of existing debt as long as it does not exceed 50% of the total project cost. Additionally, the project must meet the following criteria:

- The new loan must involve a business expansion
- The loan must be collateralized by fixed assets
- The existing debt must have been incurred for the benefit of the small business
- The proceeds must have been used to acquire land, to construct or expand a building or to purchase equipment
- The borrower must be current on all payments of existing debt for one year
- The new financing will provide better terms or interest rate
- The new financing will be used only for refinancing existing debt or for costs related to the project being financed

With the above changes expected as a result of the Stimulus Bill, the SBA program will become even more attractive. Add to this, the ***current rates for the program are the lowest they have been in years.***

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