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Cascade Capital Corporation Announces Major Revision of SBA 504 Refinancing Program; Widespread Refinancing of Commercial Real Estate Debt with SBA 504 Assistance Now Expected

Revision of SBA 504 Refinancing Program Will Now Allow Funding of Regular Business Expenses for Borrowers with Sufficient Equity in Their Operating Facilities

October 17, 2011

The U.S. Small Business Administration made some major and more user friendly changes to its SBA 504 Refinancing Program last week. It is highly anticipated that these changes to the SBA 504 Refinancing Program will encourage much greater Program usage. The purpose of the Program is to assist small companies currently paying higher than market interest rates or facing maturing debt on their operating facilities.

One major change eliminates the requirement for the project bank lender to finance 50% of the project's current appraisal amount. Now, the outstanding balance of the loan to be refinanced can be structured like the standardized SBA 504 Program: 50% bank financing; 40% SBA 504 financing; and 10% borrower equity. This will eliminate large discrepancies of bank financing relative to SBA 504 financing on projects with higher appraisals and lower outstanding balances.

Also, on refinancing projects where borrowers have excess equity in their operating facilities, borrowers can actually "pull out" that equity in order to pay eligible business operating expenses such as rent, utilities, inventory or other obligations. To illustrate, say a company owes \$800,000 on its operating facility that appraises out at \$1 million. Since the SBA 504 Refinancing Program will fund 90% loan to value, the company can draw out an additional \$100,000 to pay current operating expenses.

The SBA 504 Refinancing Program is available to companies whose outstanding term debt is current. The SBA 504 Refinancing Program expires on September 27, 2012.

One further note regarding Cascade Capital's Ohio 166 Loan Program. Granted, the Ohio 166 does in most cases require a shared lien or mortgage position with its project bank lending partner however, a way for bank lenders to mitigate that factor would be to add a SBA 7A guaranty on its loan done in conjunction with the Ohio 166 Loan.

To inquire about a SBA 504 or Ohio 166 Loan, please contact either Bob Filipiak or Dave Kinzel at 330-379-3160.

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