



# Messenger

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## SBA 504 Debt Refinance

As part of the American Recovery and Reinvestment Act, SBA has amended its regulations to permit debt refinancing under certain circumstances as part of the 504 Certified Company (CDC) Loan Program. These permanent changes will allow small businesses to restructure eligible debt to help improve their cash flow which, in turn, will enhance their viability and support growth and job creation.

The legislation allows 504 program projects to include a limited amount of debt refinancing if there is a business expansion and the debt refinanced does not exceed 50 percent of the projected cost of the expansion. "Expansion" includes any project that involves the acquisition, construction or improvement of land, building or equipment for use by the small business. The following are some of the conditions under which borrowers will be eligible for refinancing:

- The debt being refinanced was incurred to acquire land, to construct a building or to purchase equipment. The assets acquired must be eligible for financing under the 504 program.
- The existing debt is collateralized by fixed assets.
- The existing debt was incurred for the benefit of the small business.
- The new financing provides a substantial benefit to the borrower when prepayment penalties, financing fees, and other financing costs are taken into account.
- The borrower has been current on all payments of existing debt for one year prior to the date of refinancing.

SBA is offering training for lenders and CDCs on this change on Wednesday, July 22nd from 2:00-3:00 p.m. The training will be conducted on the phone and on computers via SBA's Ready Talk. For more information, contact Brenda Murray, Miki Cady or Vanessa Klein at (316) 269-6571.

SBA's 504 Loan Program provides long-term, fixed-rate, subordinate mortgage financing for acquisition and/or renovation of capital assets including land, buildings and equipment. 504 loans are provided through SCKEDD and other Certified Development Companies, who partner with banks and other lenders that are providing loans in first position on reasonable terms.

For more information, contact Sandra Ring, SCKEDD Program Manager, at 316-262-7035, toll-free at 800-326-8353 or by e-mail at [sandy@sckedd.org](mailto:sandy@sckedd.org).

Source: Press Release from U.S. Small Business Administration dated June 24, 2009 and Lender News dated July 15, 2009 from Wichita District Office, Number 09-07.

### CONTACT SCKEDD TODAY!

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**WE'VE MOVED!**  
SCKEDD's new offices are at 200 W. Douglas, Suite 710, Wichita, KS 67202. Our phone and fax numbers remain the same.

## Monthly Rate Corner

504 Rates based on the July 2009 Debenture Sale

	<u>"Note Rate"</u>	<u>"Effective Rate" (includes fees)</u>
10-Year	3.309%	4.368%
20-Year	4.366%	5.244%

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## **SBA to Offer Floor Plan Financing to Auto, RV and Other Dealerships**

The SBA has announced that it will begin to offer government guaranteed loans to finance inventory for eligible auto, recreational vehicle, boat and other dealerships under Dealer Floor Plan (DFP) financing, a new pilot program, in July. Floor plan financing is a line of credit that allows dealers to borrow against their inventory, and then repay that debt as they sell their inventory or borrow against the line of credit again to add new inventory.

SBA Administrator Karen Mills announced the new program during a visit to Kokomo, Ind., with Dr. Ed Montgomery, President Barack Obama's Director of Recovery for Auto Communities and Workers.

"Countless small businesses, including dealerships, across the country are facing significant challenges as a result of the uncertainty in the auto industry," Mills said. "Floor plan financing can offer some dealerships the opportunity to get through these tough economic times by allowing them to keep their inventory and cash flow intact, as well as save the jobs these small businesses provide."

Under the DFP pilot program, the SBA will provide loan guarantees for lines of credit through its 7(a) program. DFP loans will be made through SBA lenders only for titled inventory, including autos, RVs, manufactured homes, boats and motorcycles. The pilot program will begin July 1 and will be available through September 30, 2010, at which time the SBA will make the determination of whether or not to extend the program.

*Source: Press Release from U.S. Small Business Administration dated May 28, 2009.*