



Commercial Real Estate Mortgage Refinancing Available

Small business owners with commercial mortgages set to mature, or with balloon payments due, between now and December 31, 2012 may now secure a U.S. Small Business Administration (SBA) loan to refinance their debt. The timing could not be better, as many commercial note holders struggle with access to credit due to the economic recession and find they are unable to qualify for a conventional refinance loan.

The SBA 504 Loan provides a refinance solution. Here are the key loan conditions:

- SBA 504 Refi will finance up to 90% of the current appraised property value or 100% of the outstanding principal balance, whichever is less. No expansion or purchase of real estate or other fixed assets are permitted.
- Existing loan to be refinanced must be at least two years old and in good standing with no delinquencies or deferments in the prior 12 months. A 12-month transcript of account is required. For same institution debt, a transcript for the entire period of the loan is required.
- At least 85% of the existing loan was used to acquire, construct or improve fixed assets.
- SBA 504 Refi does not provide any cash out or refinance existing federal debt.
- Refinance fees associated with the SBA 504 Refi can be incorporated into the new loan.

With the SBA 504 Refi product, the private lender/bank funds only 50% of the total debt, increasing the owners' ability to qualify for the loan. A second mortgage is secured from SKED and fully backed by the SBA for up to 40 percent of the total project. The small business fills the gap with a 10% equity or cash injection. The SBA 504 loan is a 20-year fully amortized loan with low interest rate which enables the business owner to qualify for the bank financing.

For more information, call Michael Bush, CPA, Director of Lending at 606-677-6100.

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