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Business Management Section

New Small Business Loan Programs

Commercial Mortgage Refinance Program

The Small Business Jobs Act of 2010 established the 504 Commercial Mortgage Refinance Program to allow for the refinancing of commercial mortgages for owner-occupied property. The temporary program gives small businesses, facing maturity of commercial mortgages or balloon payments on or before December 31, 2012, the opportunity to refinance their loans. The temporary refinancing program is structured similar to the SBA's traditional 504 loan program, as borrowers must commit at least 10 percent equity and work with third-party lending institutions and SBA-approved Certified Development Companies in the standard 50 percent/40 percent split. A key feature of the program is that it does not require an expansion of the business in order to qualify.

Borrowers will be able to refinance up to 90 percent of the current, fair market assessment of the property or 100 percent of the outstanding mortgage, whichever is lower. Businesses with existing 504 projects and government-guaranteed loans are not eligible for refinancing.

SBA began accepting applications on February 28, 2011. The program will be in effect through September 27, 2012.

Community Advantage and Small Loan Advantage Programs

The SBA also launched the Community Advantage and Small Loan Advantage loan programs for underserved communities, especially women-owned and minority-owned businesses and those located in lower-income communities. The details of the programs are described below:

Small Loan Advantage Program:

- Maximum loan size: \$250,000
- Two page application, submitted electronically and most loans will be approved within a week to two weeks (sometimes sooner)
- Lenders will include 630 of the SBA's preferred lenders, including regional banks and larger banks such as Wells Fargo, Bank of America and U.S. Bank (UBS)
- Interest rates will vary by size of loan. On average, rates will be around prime plus 2.75 percent.
- The SBA will guarantee up to 85 percent of the loan value for loans \$150,000 or less and up to 75 percent for loans greater than \$150,000
- Eligible borrowers include those who would qualify for an SBA loan, with no geographical restrictions

Community Advantage Program:

- Maximum loan size: \$250,000
- Borrowers will need to fill out a two page application and lenders may ask for a business plan to justify the ability to repay the loan. Most loans will be approved within a week to two weeks (sometimes sooner).
- Lenders will be "mission lenders", to include the Community Development Financial Institutions, SBA's Certified Development companies and nonprofit micro-lending intermediaries
- Interest rates will vary by size of loan. On average, rates will be around prime plus 2.75 percent.
- The SBA will guarantee up to 85 percent of the loan value for loans \$150,000 or less and up to 75 percent for loans greater than \$150,000
- Borrowers include those who would qualify for an SBA loan, with no geographical restrictions
- Lenders will be expected to maintain at least 60 percent of their SBA loan portfolio in undeserved markets: small businesses that have more than 50 percent of their workforce residing in low-to-moderate income (LMI) communities, in Empowerment Zones and Enterprise Communities, in HUBZones, organizations in business less than two years and veteran-owned businesses

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