



# Somercor 504, Inc. – 504 Debt Refinance



## 504 DEBT REFI EXAMPLES



# Somercor 504, Inc. – 504 Debt Refinance

## Request:

- Refinance \$800K existing acquisition first mortgage borrowed 5 years ago. Property is appraised at \$1,000,000.

## Comments:

- All \$800K of debt is eligible for Permanent Debt Refinance Project. Due to the equity position (20% of appraised value), the debt can be split equally between the bank and 504 loan.

## Acceptable Structure:

<b>Appraised value of Property</b>	<b>\$1,000,000</b>	<b>Third Party Loan</b>	<b>\$400,000</b>
<b>Qualified Debt</b>	<b>\$800,000</b>	<b>SBA 504 Loan</b>	<b>\$400,000</b>
<b>Total Project Debt</b>	<b>\$800,000</b>	<b>Borrower Equity Contribution</b>	<b>\$200,000</b>



# Somercor 504, Inc. – 504 Debt Refinance

## Request:

- Refinance \$650K existing Qualified Debt plus \$250K for Business Operating Expenses. Property is appraised at \$1,000,000.

## Comments:

- The \$650K Qualified Debt can be included but only \$200K of the requested \$250K in Business Operating Expenses can be included due to the 85% maximum LTV for transactions involving Business Operating Expenses.

## Acceptable Structure:

<b>Refinancing Project (Appraisal)</b>	<b>\$1,000,000</b>
<b>Qualified Debt</b>	<b>\$650,000</b>
<b>Business Operating Expenses</b>	<b>\$200,000</b>
<b>Total Project Financing</b>	<b>\$850,000</b>

<b>Third Party Loan</b>	<b>\$450,000</b>
<b>SBA 504 Loan</b>	<b>\$400,000</b>
<b>Borrower Equity Contribution</b>	<b>\$150,000</b>



# Somercor 504, Inc. – 504 Debt Refinance

## Request:

- Refinance \$150,000 Qualified Debt plus \$750,000 revolving line of credit that is secured by a junior mortgage on the project property – LOC and junior lien are over 2 years old.

## Comments:

- **The Qualified Debt is eligible plus the LOC meets the SBA's definition of Other Secured Debt due to the junior mortgage on the property.**

## Acceptable Structure:

Refinancing Project (Appraisal)	\$1,000,000	Third Party Loan	\$500,000
Qualified Debt	\$150,000	SBA 504 Loan	\$400,000
Other Secured Debt	\$750,000	Borrower Equity Contribution	\$100,000
<b>Total Project Financing</b>	<b>\$900,000</b>		



# Somercor 504, Inc. – 504 Debt Refinance

## Request:

- Refinance \$500K existing Qualified Debt plus \$400K for other unsecured loan obligations (prior Business Operating Expenses). Property is appraised at \$1,000,000.

## Comments:

- The \$500K Qualified Debt can be included but only \$250K of the requested \$400K in Business Operating Expenses can be included. Business Operating Expenses are limited to 25% of the Refinanced Project amount. In this example \$250K. Total LTV remains below the 85% maximum for transactions involving Business Operating Expenses.

## Acceptable Structure:

<b>Refinancing Project (Appraisal)</b>	<b>\$1,000,000</b>	<b>Third Party Loan</b>	<b>\$375,000</b>
<b>Qualified Debt</b>	<b>\$500,000</b>	<b>SBA 504 Loan</b>	<b>\$375,000</b>
<b>Business Operating Expenses</b>	<b>\$250,000</b>	<b>Borrower Equity Contribution</b>	<b>\$250,000</b>
<b>Total Project Financing</b>	<b>\$750,000</b>		