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GUEST COLUMN:

New refi program helps small businesses

By James York

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Historically, purchasing commercial real estate has been a pretty good investment in Nevada — until the Great Recession crashed the party, that is. Fortunes continue to turn, however, and what seemed like a financial albatross even five years ago now has the potential to be an asset once again.

The Small Business Administration recently reinstated its SBA 504 refinance program, which assists small-business owners in stabilizing the conventional debt they carry on their fixed assets. The SBA began accepting loan submittal packages June 24. Previously, the program existed in the 1980s and briefly as a temporary program from Feb. 28, 2011, through Sept. 27, 2012. This time, the SBA says its reinstatement is permanent.

Businesses that qualify for the program have a net worth of less than \$15 million and a two-year net income average of less than \$5 million, and have a real estate loan for a commercial property that is at least 51 percent owner-occupied. The current loan must be at least 2 years old and must have remained current on payments for at least 12 months. The business and current ownership must also have been in place for at least two years.

Those who qualify for the program can receive up to 90 percent financing at a low fixed rate for 20 years.

Financing must be used for SBA 504-eligible costs such as purchasing real estate, improving real estate, purchasing equipment with a 10-year useful life, etc. Some fixed assets (medical or manufacturing equipment, for example) also can be included in the refinance. And there is a cash-out option good for up to 70 percent of the original loan, which banks rarely provide.

The SBA brought back the refinance program because it's confident in the commercial real estate market and wants to help the economic recovery. In the past, SBA lending was largely seen as being for people who weren't strong borrowers — those who didn't have 30 percent down. Loans banks couldn't approve were sent to the SBA. This is no longer the case. Borrowers who could easily qualify for conventional bank financing are choosing to get an SBA loan instead because the terms are so much better.

The SBA also moves quickly. While the SBA 504 refinancing program is new, "regular" 504 loans have been around forever. Working with business owners to obtain financing is what the SBA does, and SBA loans have really become viable financing options.

The SBA is as vibrant as I've ever seen in my 35-year career in banking. They are being more aggressive and financing a record number of SBA loans. Now is a good time to see what's out there.

James York is president, CEO and founding principal of Valley Bank of Nevada. He also serves as vice chairman of the Nevada Bankers Association.