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VALLEY FRANCHISE OWNERS USE SBA-504 REFINANCE PROGRAM TO HELP REINVEST IN BUSINESSES

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Robert and Mary Perez take advantage of SBA-504 refinance program.

At a time when jobs are hard to come by and many small businesses are cutting back, Robert and Mary Perez are growing their Metro Phoenix businesses and reinvesting in their biggest asset – their employees.

The Perez's own and operate six Wendy's franchises and employ close to 120 people. They were recently facing one significant balloon payment on a commercial real estate loan and dealing with a high interest rate on another. They looked into refinancing via the Small Business Administration. CDC Small Business Finance and Alliance Bank partnered to provide the loans.

“The SBA-504 refinance program couldn't have come at a better time for

us,” Perez said. “The two refi loans we received were the perfect solution, offering us a low, fixed rate for 20 years on both properties. The monthly savings now gives us the ability to hire three more mid-level managers at a higher starting salary and increase the staffing hours for our existing employees.”

The new financing enabled the Perez’s to take advantage of a low interest rate, currently at 4.70%, and a low down payment of 10%.

“I know there are more small business owners, especially in Phoenix, who are facing a hike in their current loan payments,” said Lisa Alberti, CDC Small Business Finance loan officer. “Business owners who own their building and facing an insurmountable payment can benefit from this program, but they need to act fast because the program ends September 27.”

The basics of the SBA-504 refinance loan are simple:

- To be eligible, the small business must be a for-profit company with tangible net worth of less than \$15M and after-tax profit of less than \$5M.
- Any small business with a commercial mortgage at least two years old may be eligible.
- Payments on commercial loan to be refinance must be current with no delinquencies or deferments in the payments in the past 12 months.
- The eligible small business must currently occupy 51% of the property to be refinanced. The refinanced amount can be up to 90% of the appraised value of the subject property. The required down-payment is 10% of the total loan amount.
- The program is structured like SBA’s traditional 504 loan program: borrowers work with third-party lending institutions and a SBA-approved certified development company, typically a non-profit organization like CDC Small Business Finance, to obtain financing.
- Existing 504 loans and government-guaranteed loans are not eligible for refinance.

SBA estimates that as many as 8,000 businesses across the country are eligible to participate in this refinance program, which will provide up to \$7.5B in SBA-guaranteed financing that will leverage total project financing of almost \$17 billion.

The SBA-504 loan program was created by the SBA for the specific purpose of financing long-term fixed assets such as commercial real estate and

equipment with economic life of 10 years or greater.

[CDC](#) Small Business Finance's office is located at 2575 E. Camelback Rd., #450. For more information on the SBA-504 loan program, contact Lisa Alberti at (602) 635-8413 or lalberti@cdcloans.com



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