



SBA Procedural Notice

TO: All SBA Employees and Certified Development Companies

CONTROL NO.: 5000-851789

SUBJECT: Corrections to certain 504 Debt Refinancing without Expansion provisions relating to 504 projects with Eligible Business Expenses as described in SBA Policy Notice 5000-847732 and as set forth in SBA SOP 50 10 7.1

EFFECTIVE: November 7, 2023

The purpose of this notice is to correct certain 504 Loan Program Debt Refinancing without Expansion provisions relating to 504 projects with Eligible Business Expenses in 1) SBA Policy Notice 5000-847732, and 2) SBA SOP 50 10 7.1.

SBA Policy Notice 5000-847732, published October 19, 2023, revised the provisions of SBA SOP 50 10 7 relating to the debt refinancing options available in the 504 Loan Program to incorporate the Debt Refinancing in the 504 Loan Program final rule published by SBA on October 12, 2023, in the Federal Register. 88 FR 70580. This final rule, which is effective November 13, 2023, finalized the changes made by section 328(a) of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, enacted December 27, 2020, Public Law 116-260. This notice corrects provisions in SBA Policy Notice 5000-847732 related to the definition of “Eligible Business Expenses” and to loan-to-value limitations for projects involving Eligible Business Expenses, a cross-reference in the subparagraph describing credit memorandum contents, and formatting in the Same Institution Debt subparagraph.

SBA Lenders and SBA employees must continue to use SBA SOP 50 10 7 for 504 applications submitted through November 14, 2023. SBA SOP 50 10 7.1 will become effective November 15, 2023, and will apply to all applications received by SBA on or after that date. This notice corrects the same 504 Loan Program Debt Refinancing without Expansion provisions relating to 504 projects with Eligible Business Expenses in SBA SOP 50 10 7.1 as in SBA Policy Notice 5000-847732 (i.e., provisions related to the definition of “Eligible Business Expenses” and to loan-to-value limitations for projects involving Eligible Business Expenses, a cross-reference in the subparagraph describing credit memorandum contents, and formatting in the Same Institution Debt subparagraph). The corrections are described below.

A. SBA Policy Notice 5000-847732 is revised as follows:

PAGE 1 of 1

EXPIRES: 11-1-24

SBA Form 1353.3 (4-93) MS Word Edition; previous editions obsolete

Must be accompanied by SBA Form 58

- a. Subparagraph C.10.a.iv.c) is deleted in its entirety and subparagraphs C.10.a.iv.d) and C.10.a.iv.e) are renumbered as C.10.a.iv.c) and C.10.a.iv.d).
- b. Subparagraph C.10.i.iii is deleted in its entirety and replaced with the following:

“iii. For any projects that include the financing of Eligible Business Expenses, a maximum 85% loan to value of the Refinancing Project will apply and the Eligible Business Expenses portion of the Project may not exceed 20% of the value of the Eligible Fixed Asset(s) securing the Qualified Debt. The value of the Refinancing Project may not be increased by adding additional collateral.”
- c. Subparagraph C.10.l.i is deleted in its entirety and replaced with the following:

“i. Credit memorandum. The CDC must provide an analysis in its credit memorandum that the proposed debt refinancing satisfies each of the requirements of this debt refinancing program, including the requirements described in paragraphs 10.a.i.a) through h), 10.a.iv.a) through d), 10.b., 10.d., 10.e., 10.f., and 10.i. above.”
- d. Indent subparagraphs C.10.m.iv. through x. and renumber as C.10.m.iv.a) through g).

B. SOP 50 10 7.1, Section C, Chapter 1, paragraph C.10 is revised as follows:

- a. Subparagraph C.10.a.iv.c) is deleted in its entirety and subparagraphs C.10.a.iv.d) and C.10.a.iv.e) are renumbered as C.10.a.iv.c) and C.10.a.iv.d).
- b. Subparagraph C.10.i.iii is deleted in its entirety and replaced with the following:

“iii. For any projects that include the financing of Eligible Business Expenses, a maximum 85% loan to value of the Refinancing Project will apply and the Eligible Business Expenses portion of the Project may not exceed 20% of the value of the Eligible Fixed Asset(s) securing the Qualified Debt. The value of the Refinancing Project may not be increased by adding additional collateral.”
- c. Subparagraph C.10.l.i is deleted in its entirety and replaced with the following:

“i. Credit memorandum. The CDC must provide an analysis in its credit memorandum that the proposed debt refinancing satisfies each of the requirements of this debt refinancing program, including the requirements described in paragraphs 10.a.i.a) through h), 10.a.iv.a) through d), 10.b., 10.d., 10.e., 10.f., and 10.i. above.”
- d. Indent subparagraphs C.10.m.iv. through x. and renumber as C.10.m.iv.a) through g).

Questions

Questions concerning this Notice may be directed to the Lender Relations Specialist in the [local SBA Field Office](#).

Kathryn Frost
Associate Administrator (Acting)
Office of Capital Access