

# Helping Business Take the Next Step

## Montana Community Finance Corporation (MCFC)

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## Positive Permanent Change to SBA 504 Loans!

The Recovery Act is not only helping businesses with temporary stimulus initiatives but for the 504 loan program a permanent change has also been made.

Debt refinancing is now an eligible project cost, if the project includes expansion of a small business and the amount to be refinanced does not exceed 50% of the cost for the expansion. Expansion includes any project that involves acquisition, construction or improvement of land, building or equipment for use by the small business.

The small business may be eligible for refinancing if the following requirements are met:

- the existing debt was to acquire land, including a building, to construct a building or to purchase equipment.
- the existing debt is collateralized by fixed assets.
- the existing debt was incurred for the benefit of the small business.
- the existing debt has been paid as agreed for one year prior to the date of refinancing.
- the existing debt is not owed to an Associate of the small business, an SBIC, or creditor in a position to sustain a loss
- the refinancing will provide better loan terms
- the refinancing will provide a substantial benefit to the borrower when prepayment penalties, financing fees,

and other financing costs are accounted for.  
•the 504 loan proceeds will be used for cost of expansion and eligible debt refinancing.

Don't let the requirements overwhelm you, it is MCFC's role to determine if the requirements are met for your particular project.

**\* \* NOW is the time\* \***

With some of the lowest interest rates in our history, the temporary elimination of certain SBA 504 loan fees, and the ability to refinance existing loans - NOW is the time for small business owners to expand their business and utilize the SBA 504 loan program. Contact MCFC, your SBA 504 loan resource.

## Why Use the 504 Loan Program?

### LENDER advantages:

- MCFC works with SBA to process the 504 loan - you make your own credit decision and use your own loan documentation.
- No guaranty fee or annual servicing fees paid to SBA as part of your loan.
- You have a 1<sup>st</sup> lien position on the real property. The SBA 504 loan will be in a 2<sup>nd</sup> lien position.
- Your low loan to value will be about 50%. Your collateral position is well secured.

### BUSINESS advantages:

- Low down payment - just 10%. This lets you preserve cash for working capital. Increases to 15% if new business or special purpose building, or to 20% if both apply.
- Fixed interest rate for term of loan. Payments are affordable and predictable.
- Long term loan - means lower monthly payment. Real estate terms for 20 or 10 years and fixed asset terms for 10 years.

### COMMUNITY advantage:

- Business creates and/or retain jobs in your community

### SBA 504 Overall Effective Interest Rates

	20-year	10-year
January	6.67%	n/a
February	5.70%	n/a
March	5.60%	5.07%
April	5.25%	n/a
May	5.37%	4.49%
June	5.90%	n/a
July	5.24%	4.37%
August	5.39%	n/a

Check out our website at:

**[www.mtcommunityfinance.org](http://www.mtcommunityfinance.org)**