



**Rick Berkheimer** –Arizona Bank & Trust welcomed Rick Berkheimer as Senior Vice President and Commercial Banker in March, 2010. Prior to joining AB&T, Berkheimer served as Market President and for Irwin Union Bank in Phoenix.

With a strong desire to help you achieved your financial goals, he'll provide you with our entire portfolio of products and services as well as build customized loan solutions that will benefit your business' growth and success.

With over 30 years of banking experience, Rick has become an expert in all matters of commercial lending, including SBA loans, working capital lines of credit and equipment financing – and he does so with honesty and integrity.

Rick holds a Bachelors Degree in Business Administration from the University of Nebraska and has been helping businesses in the Phoenix area achieve their financial goals since 1983. He is an active member in the community, serving on the Board of Directors of the Ear Foundation of Arizona and is a member of the Loan Committee for Business Development Finance Corporation. Rick is also a member of the Sertoma Club and a USGA Senior Amateur entrant.

With 30 years of experience to draw from, count on Rick for real solutions to all your commercial and industrial needs.

Rick Berkheimer  
Arizona Bank & Trust  
(602) 553-7814



**Small Business Jobs Act**  
504 Loan Program Debt Refinancing



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**Overview**

- On September 27, 2010, the Small Business Jobs Act of 2010, P.L. 111-240 (Jobs Act) was signed into law.
- The Jobs Act temporarily extends the 504 program to allow refinance without business expansion.
- SBA has \$15 billion in program authority for this commercial real estate and equipment refinance program. However, the amount of owner-occupied commercial real estate that has lost significant value is many times this amount.
- All loans must be approved by September 27, 2012.



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**Overview**

- In order to first help those small businesses most in need of assistance and facing potential foreclosure, SBA is opening up this temporary program first to small businesses that have a mortgage coming due for renewal on or before December 31, 2012.
- Once SBA has satisfied the immediate demand for this most needy class of small businesses, it will open the program to other small businesses that have balloon notes and ultimately to small businesses that would realize a substantial cash flow benefit as a result of the program.
- In this way, SBA will maximize the impact of this program on saving small businesses, retaining and creating jobs and helping to stabilize commercial real estate values.
- SBA is reviewing how best to enact the cash out provision of the Act and is soliciting public comment.



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**SBA**  
U.S. Small Business Administration

## Loan Structure and Conditions

- Funding for the Refinancing Project must come from three sources:
  - Third Party Lender – *not less than 50%*
  - SBA 504 Loan – *not more than 40%*
  - Borrower – *not less than 10%*

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## Eligibility

- For debt refinancing only, not for expansion or the purchase of real estate or other fixed assets.
- Loans being refinanced must be maturing on or before December 31, 2012.
- At a later date, SBA may allow other balloons, as well as loans that can demonstrate strong needs in other ways.
- Loans being refinanced must have been current for the past year with no payment being deferred or past due for more than 30 days. Transcript must be provided to demonstrate compliance with this requirement.
- Debt must have been incurred not less than two years prior to the date the application is received by SBA.

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## Eligibility

- Small business concerned must have been in business for two years prior to the submission of the application.
- Debt may be refinanced even if it does not meet the job creation or other economic development objectives set forth in 13 CFR § 120.861 or § 120.862.  
*"Improving, diversifying or stabilizing the economy of the locality."*  
13 CFR § 120.862(a)(1)

In such case, the 504 loan size may not exceed the product obtained by multiplying the number of full-time equivalent employees (40 hour work week) of the Borrower by \$65,000.

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## Eligibility

**Amount of Third Party Loan and 504 Loan**

- The Third Party loan and the 504 loan combined may not be more than 90% of the fair market value of the fixed assets securing the loan.
- In no event may it exceed the outstanding principal balance of the debt being refinanced.

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## Eligibility

If the amount of the refinance is not sufficient to repay the entire outstanding debt, the CDC must disclose how the balance of the debt will be handled, as noted below.

The lender of the Qualified Debt may:

- a) forgive all or part of the deficiency (which may have tax consequences for the Borrower)
- b) accept payment from the Borrower for all or part of the deficiency,
- c) accept a new Note for the balance which will be subordinate to the liens of the Third Party Lender and SBA. Such notes will contain at least a three-year stand-by requirement.

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## Borrower's Contribution

In addition to a cash contribution, the Borrower's 10% contribution may be satisfied by its equity in the Eligible Fixed Asset(s) serving as collateral for the Refinancing Project or by the equity in any other fixed assets that are acceptable to SBA as collateral.

An independent appraisal of the fair market value of the project assets and any additional assets offered as additional collateral must be provided.

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## Restrictions

- No refinancing of loans with an existing federal guaranty.
- No refinancing of loans which is already part of an existing 504 project.

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## Example Over-collateralized

Appraised Value of Property	\$600,000
Outstanding Balance of Debt	\$500,000

*The value of the collateral securing the project exceeds the outstanding principal balance of the debt. Lien is less than 90% of the appraised value.*

	<u>Project</u>
Third Party Loan	\$300,000 (50% of appraised value)
SBA 504 Loan	200,000 (balance of existing lien – 33.3% in example)
Borrower's Contribution	100,000 (all equity in project – 16.7% in example)
Total Project	\$600,000 (100%)

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## Example Slightly over-collateralized

Appraised Value of Property	\$540,000
Outstanding Balance of Debt	\$500,000

*The value of the collateral securing the project is greater than the outstanding principal balance of the debt. Lien is slightly greater than 90% of the appraised value. No additional assets are being injected into the project..*

	<u>Project</u>
Third Party Loan	\$270,000 (50% of appraised value)
SBA 504 Loan	216,000 (40% of appraised value)
Borrower's Contribution	54,000 (10% of appraised value: \$40,000 equity and \$14,000 cash from the borrower)
Total Project	\$540,000 (100%)

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**SBA at AB&T**



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**Arizona Bank & Trust will help you achieve your business goals.**

At Arizona Bank & Trust, we are committed to finding ways to help your business grow profitably. As this occurs, you may need additional capital to finance your expansion plans. We can help you select the short or long-term borrowing options best suited to your business.

Whether your company's financial needs are large or small, an experienced Arizona Bank & Trust Business Banker is ready to offer you customized solutions with competitive rates and flexible payment schedules.

**Local. Flexible.  
Stable. Strong.**



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