
MEMORANDUM

TO:
FROM:
SUBJECT: SBA 504 PROVISIONS TO "CARES ACT"

The COVID-19 pandemic has devastated countless individuals and businesses around the world. It is unknown how long these trying times will last, or the extent and period of the recovery. The U.S. Government has already shown its commitment to small businesses by allocating \$300 Billion to stimulus programs.

We are writing to strongly encourage that certain SBA 504 Provisions which would enhance and incentivize SBA's 504 loan program be included in the CARES Act legislation. This is of critical importance to the country's SBA Certified Development Companies (CDCs) and Third-Party Lenders (TPLs) if we want to stabilize the economy and small business now.

The SBA 504 Loan program is a powerful economic development loan program that offers small businesses another avenue for business financing, while promoting business growth, and job creation. Since February 15, 2012, the \$50 Billion in 504 loans has created over 2 million jobs. This program is a proven success and win-win-win for the small business, the community and participating TPL lenders.

The SBA 504 Provisions (to the CARES Act legislation) include:

- 1) Increase the maximum SBA Debenture loan size from \$5 million to \$10 million.
- 2) Reintroduce FMLP (85% SBA guarantees on SBA 504 first mortgages.)
 - a. Third Party Lenders/Pool Assemblers receive up to 85% guarantees on pools of eligible 1st lien SBA 504 loans.
 - b. FMLP is "mission ready" as the rules, regulations, and infrastructure are in place from its 2009-2012 iteration
 - c. There is now almost 10 years of pay history on the original FMLP bonds and they have performed very strongly.
- 3) Expand the SBA 504 Refinance Program.
 - a. Allow for any existing business debt to be eligible for refinance
 - b. Expand eligible uses to include more prepaid expenses, interest reserves and working capital up to 90% LTV
 - c. Tie availability of working capital to job retention requirements
- 4) Expand Modifications of Existing 504 loans
 - a. Allow CDC's to resubordinate to larger 1st Liens so that small businesses can pull out valuable cash trapped in their properties
 - b. Existing 504 borrowers may take advantage of appreciation in their fixed assets to fund eligible business expenses

If Congress puts all of these provisions in place, the SBA 504 program can immediately begin putting out funds to the affected industries including hard hit small business sectors like hospitality, food service, and retail and we can deploy these funds in a more impactful way than the sister SBA 7a program.

The proposed changes outlined above can help stimulate \$100 billion in new SBA 504 loans over the next 2 years and help set our country up for years of growth. I look forward to hearing your feedback and strongly encourage further discussion.

Respectfully,