

# Coronavirus Emergency SBA Loan Guide

Relief Measure Ideas for Lenders, EIDL Program, SBA Express Bridge Loans,  
General 7(a) Loan Program Changes, Paycheck Protection Program

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# Relief Measure Ideas for Lenders

# Relief Measure Ideas for Lenders

## Examples of relief measures lenders are taking

- Interest-only payments for three to six months
- Deferred payments for three to six months
- Interest rate reductions
- Making CDs available to be withdrawn with no early penalties
- Refraining from reporting late payments to credit rating agencies for 90 days
- Offering small loans to cover mortgage payments for up to six months
- SBA will allow payments to be deferred for up to six months
- SBA has an emergency fund program in place. SBA borrowers apply directly to SBA for assistance
- Retail Property Owners with tenants unable to make their lease pay obligations – Some FIs are asking for the tenants to provide the owners with documentation of their inability to pay, then the FI is offering payment deferment assistance
- P & I waived for three months. Commencing in the 4<sup>th</sup> month, the payments will resume with interest being repaid first to catch up months 1-3. Roughly around month 7 and beyond should return to regular P & I payments. End result should be extra three months of Principal due at the end of the term, but you will not have to wait for your interest longer than 6 months.

# Economic Injury Disaster Loan (EIDL) Program



# Economic Injury Disaster Loan (EIDL)

## EIDL - Existing Program Previously Rolled Out

- Apply directly to the SBA
- Loan amount up to \$2,000,000 (SBA will determine the loan amount based on the applicant's monthly business expenses, a review of the applicant's balance sheet and liquidity position, and the guarantor's personal credit history.)
- 3. 75% interest rate for For-Profit companies
- 2. 75% interest rate for Not-For-Profit companies
- Loans will be for a term of either 15 years or 30 years, to be determined by the SBA based on repayment ability. There is no pre-payment penalty.

# EIDL Advance

- Economic Injury Disaster Loan advance of up to \$10,000. This advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue.
- Funds will be made within three days of a successful application.
- This loan advance will not have to be repaid.
- **Full Details and Application:** <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance>

# SBA Express Bridge Loans



# SBA Express Bridge Loans

Enables small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 quickly.

These loans can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing and can be a term loans or used to bridge the gap while applying for a direct SBA Economic Injury Disaster loan. If a small business has an urgent need for cash while waiting for decision and disbursement on an Economic Injury Disaster Loan, they may qualify for an SBA Express Disaster Bridge Loan.

## Terms:

- Up to \$25,000
- Fast turnaround
- Will be repaid in full or in part by proceeds from the EIDL

## Full Details:

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-express-bridge-loans>

# General 7(a) Loan Program Changes

# General 7(a) Loan Program Changes

## 7(a) Borrower Payments for 6 Months

**PAYMENT RELIEF:** SBA is required to pay the principal, interest, and any associated fees owed on a 7(a) loan in regular servicing starting with the next payment due for both existing and new borrowers. There are three scenarios outlined that cover all possibilities with clear guidance:

### Existing borrower not on deferment:

Six months of payments of principal, interest, and any associated fees begin with the next payment due on the loan.

### Existing borrower on deferment:

Six months of payments of principal, interest, and any associated fees beginning with the next payment due on the loan after the deferment period.

### New borrower:

Six months of payments of principal, interest, and any associated fees beginning with the first payment due on the loan, but only for new loans made within the first six months starting from the date of enactment (3/27/2020).

**ELIGIBILITY:** Any loan made under the 7(a) program, including Express and Community Advantage loans. The payments are also applicable to any loan guaranteed by SBA in the 504 program, likely on the SBA debenture.

# General 7(a) Loan Program Changes

## Temporary Increase to SBA Express Program Maximum Size

- Maximum loan size for an SBA Express Loan is increased from \$350,000 to \$1 million effective 3/27/2020 (date of enactment of the CARES Act) through 12/31/2020.
- Maximum authorized loan size will revert to \$350,000 on 1/1/2021

# Paycheck Protection Program (PPP)



# Paycheck Protection Program

## Overview

- **SBA Guaranty:** 100%
- **SBA Upfront Guaranty Fee:** Waived
- **Interest Rate:** 1.0% for life of loan
- **Maximum Loan Maturity:** 2-years after application of the forgiveness portion
- All payments are deferred for 6 months, but interest will accrue
- **Collateral:** No collateral will be required
- **Personal Guarantee:** No personal guaranty will be required BUT Government will have recourse against a shareholder, member or partner of a borrower company if loan proceeds are used for a purpose not authorized by the law

# Paycheck Protection Program

## Basic Eligibility

**Lender shall consider whether applicant:**

- Was in operation on 2/15/2020 **AND**
- Had employees for whom it paid salaries and payroll taxes OR paid independent contractors (reported on a Form 1099 MISC)

# Paycheck Protection Program

## Who Can Apply?

- All businesses - including nonprofits, veterans organizations, Tribal business concerns, sole proprietorships, self-employed individuals, and independent contractors - with 500 or fewer employees can apply.
- Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based size standards for those industries.
- For this program, the SBA's affiliation standards are waived for small businesses in the hotel and food services industries, or that are franchises, see further guidance in these cases.
- Other SBA affiliation rules will apply.

# Paycheck Protection Program

## Maximum Loan Size

- Loans can be for up to 2 months of your average monthly payroll costs from the last year plus an additional 25% of that amount. The amount is subject to a \$10 million cap.
- If you are a seasonal or new business, you will use different applicable time periods for your calculation. Payroll costs will be capped at \$100,000 annualized for each employee.



# Paycheck Protection Program

## How to Calculate “Average Monthly Payroll”

- For purposes of calculating average monthly payroll, most applicants will use the average monthly payroll for 2019, excluding costs over \$100,000 on an annualized basis for each employee.
- For seasonal businesses, the applicant may elect to instead use average monthly payroll for the time period between February 15, 2019 and June 20, 2019, excluding costs over \$100,000 on an annualized basis for each employee.
- For new businesses, average monthly payroll may be calculated using the time period from January 1, 2020 to February 29, 2020, excluding costs over \$100,000 on an annualized basis for each employee.



# Paycheck Protection Program

## Allowed Uses of Loan Proceeds

*(not all will be eligible for forgiveness)*

- Payroll costs, including benefits
- Interest on mortgage obligations, incurred before February 15, 2020
- Rent, under lease agreements in force before February 15, 2020
- Utilities, for which service began before February 15, 2020

# Paycheck Protection Program

## What Counts as Payroll Costs?

- Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee)
- Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit.
- State and local taxes assessed on compensation.
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 annualized for each employee.

# Paycheck Protection Program

## EIDL Loans

- If a borrower received an EIDL loan between January 31, 2020 and the date on which PPP loans are made available, and if the EIDL loan was for a different purpose than PPP loans, then a borrower may likely also receive a PPP loan.
- It is still unclear if a borrower could receive an EIDL loan after the date on which PPP loans are made available if for different purposes and trade industry representative has requested clarification.

# Paycheck Protection Program

## Loan Forgiveness

- Borrowers will owe money when the loan is due if they use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan.
- It is anticipated that not more than 25% of the forgiven amount may be used for non-payroll costs.
- Borrowers will also owe money if they do not maintain staff and payroll.



# Paycheck Protection Program

## Loan Forgiveness

- **Number of staff:** Loan forgiveness will be reduced if a business decreases full-time employee headcount.
- **Level of payroll:** Loan forgiveness will also be reduced if a business decreases salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
- **Re-hiring:** Businesses have until June 30, 2020 to restore full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.



# Paycheck Protection Program

## Loan Forgiveness

### How can a business request loan forgiveness?

The business will submit a request to the lender that is servicing the loan. The request will include documents:

- That verify the number of full-time equivalent employees and pay rates
- Eligible payments on mortgage (interest) or lease obligations
- Eligible utility obligations
- Applicant must certify that the documents are true and that the forgiveness amount is used to keep employees and make other eligible payments. The lender is required to make a decision on forgiveness within 60 days.
- Borrower must provide documentation to the lender to support the forgiveness request including (forgiveness may be approved without the required documentation)
- Documentation supporting verifying the number of full time equivalent employees on payroll and pay rates for the periods specified
- Payroll tax filings reported to IRS and State income, payroll and unemployment insurance filings
- Cancelled checks, payment receipts, transcripts of accounts or other documents verifying payments on covered mortgage obligations, payments on covered lease obligations and covered utility payments

# Paycheck Protection Program

## Loan Forgiveness

### What does a business need to certify?

- Current economic uncertainty makes the loan necessary to support ongoing operations.
- The funds will be used to retain workers and maintain payroll or to make mortgage, lease and utility payments.
- Applicant has not and will not receive another loan under this program.
- Applicant will provide to lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage payments, covered rent payments, and covered utilities for the 8 weeks after getting this loan.
- Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.

# Paycheck Protection Program

## Loan Forgiveness

### What does a business need to certify?

- All the information provided in the application and in all supporting documents and forms is true and accurate. Knowingly making a false statement to get a loan under this program is punishable by law.
- Applicant acknowledges that the lender will calculate the eligible loan amount using the tax documents you submitted.
- Applicant affirms that the tax documents are identical to those you submitted to the IRS.
- Applicant understands, acknowledges, and agrees that the lender can share the tax information with the SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program requirements and all SBA reviews.

# Paycheck Protection Program

## Application Link

<https://www.sba.gov/document/sba-form--paycheck-protection-program-borrower-application-form>



# Resources



# Resources

## Helpful resources for this unique period in business

- **SBA Notice** of your ability to unilaterally provide temporary relief.  
<https://myservion.com/documents/Marketing-Flyers/SBA-Lender-Guidelines.pdf>
- **Video: Understanding the SBA Economic Injury Disaster Loan Program (EIDL)**  
[https://www.saintpaulchamber.com/uploads/b/120629884-340469217520912643/zoom\\_0\\_392.mp4](https://www.saintpaulchamber.com/uploads/b/120629884-340469217520912643/zoom_0_392.mp4)
- **Interagency Statement:** Combined guidance from the FDIC, NCUA, OCC, and other agencies regarding loan modifications for FIs whose borrowers are affected by COVID-19.  
<https://www.myservion.com/documents/Marketing-Flyers/Interagency-Statement-on-Loan-Mods-and-Reporting-for-FIs-CLR.pdf>
- **The Paycheck Protection Program** <https://bench.co/blog/operations/paycheck-protection-program>
- **Federal small business grants** <https://bench.co/blog/operations/small-business-grants>

# How can we help?

# How Servion Can Help

## Working cooperatively with your institution

- You Process and you do the Docs
- You Process and we do the Docs: \$300
- We Process and we do the Docs: \$500
- Assistance from a third party, such as Newtek or Bottomline
  
- We need a complete file before we process
- Lender must be SBA approved in order to register the loan and get a loan number

# Contact Information

# Contact Us

Don't hesitate to reach out to us with questions.

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