

## Considering Your Financial Options

### The New Lending Environment

The application and approval process for Small Business Association (SBA) loans has been streamlined from 60 days to 3 weeks or less and generally requires less documentation.

Additional highlights of the new SBA lending environment are included in the “**Additional Information**” section.

### Your Existing Loans - Things to Consider Doing Now

□ Contact your **current lender** immediately and discuss deferments, switching to an interest only loan or forbearance agreements. The deferment process will allow you to forego paying any monthly mortgage payments for a set period which will need to be paid back during the future duration of the loan. A catch-up payment could be formulated, or loan term adjustments made.

□ Contact **SBA and loan institutions** - even if you've been denied in the past. Many lending institutions have streamlined requirements and are working on new regulations, allowing small business owners the ability to take advantage of additional capital available.

### Note: For existing Small Business Owners with current mortgages, we suggest:

- SBA 504 2nd mortgage and SBA 7(a) loan - not sold can be deferred up to 6 months.
- SBA 7a loans sold on secondary market - monthly payments deferred up to 90 days.
- If you have an existing SBA Disaster Relief Loan from a previous disaster, payments are automatically deferred through **December 31, 2020**.
- CONTACT - resources available to help detail your SBA deferment options
  1. **SBA 504 2nd mortgage** - contact your Certified Development Company (CDC) who services your second mortgage
  2. **SBA 7a loans** - contact the financial institution who provided the loan
- Submission process for SBA deferments on existing mortgages or loans has been streamlined with a **December 31, 2020** deadline.

### Tips and Suggestions

If your lender is willing to defer your mortgage payments and/or provide interest only payments for a period of time; consider accepting this and maximize the SBA loan amount for other expenses that need to be paid.

If you have a mortgage on your property, please have a discussion with your current lender about potential loans for relief in order to confirm that there are no current loan covenants in place for subordinated debt or new debt payments associated with business.

# Considering Your Financial Options

## Disaster Relief Options - Things to Consider Doing Now

Apply for **SBA Disaster Relief Loan**. Gather the following items in advance of the application:

- Schedule of business liabilities (debt schedule) of current required payments.
- Copy of the 2019 business tax return (if not filed and/or on extension provide 2019 P&L along with a copy of 2018 business tax return).
- A completed SBA PFS (personal financial statement) for each individual who owns 20% or more of the business concern.
- Copy of the 2019 personal tax return for each individual who owns 20% or more of the business entity (if not filed and/or extension, provide 2018 personal tax returns).
- Any other businesses owned 50% or more (noted by their personal K-1) by any individual that has 20% ownership in the small businesses will need to provide the same detail as the small business that applied for the loan. Debt schedule, 2019 tax return or P&L along with a current/interim P&L.
- Completion of a 4506T document that will allow the lender to your IRS transcripts of your personal and business tax returns.
- Have available documentation for payroll requirements including number of employees (PT/FT), how they are paid: weekly, bi-weekly etc. and your average monthly payroll. Any monthly bills including utilities, phone, cable, rent, other debt obligations and/or accounts payable. Documentation should be formal billing statements for reference.
- Available to download through SBA: detailed checklist of items and questions to prepare; a fillable PDF version of a schedule of liabilities; 4506T and a SBA PFS.

### SBA Disaster Relief Loans Overview

The SBA disaster loan application includes character questions including criminal history, credit history including outstanding bankruptcy, judgements and liens.

- Only available in states that have declared a disaster.
- Up to \$2MM with rates as low as 3.75% for 30 years.
- First year, no payment available whereas prior SBA disaster loans payments would start 30 days after approval.

Complete the application: <https://disasterloan.sba.gov/ela/>

# Considering Your Financial Options

## SBA Small Business Stabilization Guaranteed Loan Program Act of 2020

### Additional highlights:

- This SBA 7(a) loan will be available for currently eligible SBA borrowers AND not-for-profits and will be provided through SBA lenders and financial institutions.
- Delegated (underwriting) authority will be made for SBA participating lenders to expedite loan processing (Process and requirements TBD)
- Loan sizes of up to \$10MM calculated by taking the average total monthly payments by the applicant for payroll, mortgage payments, rent payments, and payments on any other debt obligations incurred during the one-year period before the date on which the loan is made (except for applicants with seasonal employees, in which the payroll is based on the average total monthly payments for payroll from 3/1/19 through 6/30/19).
- Provides a “process” (TBD) by which borrowers will be eligible for loan forgiveness in an amount equal to their payroll cost and costs related to debt obligations for the period between 3/1/20 and 6/30/20. The amount of forgiveness will be reduced proportionally by the number of employees laid off during this time, and it will also exclude employees making in excess of \$100k from this “forgiveness” calculation.
- Emphasis on employee retention and employee new hires as the SBA would like to provide the ability to forgive at least 50% of this new loan if the small business has the same number of employees or more noted time if they maintain current jobs.
- Lenders must verify payroll costs.
- Franchisees should begin to collect the detailed documents noted for Disaster loans.

### SBA Small Business Stabilization Guaranteed Loan Program Overview:

- Loan sizes up to \$10 million dollars (\$10MM).
- Borrower and lender guarantee fees will be waived; loan proceeds are only for payroll support including medical leave, costs related to health benefits, employee salaries, mortgage payments, rent, utilities, and any other related costs.

# Considering Your Financial Options

## Additional Information

Regulations in process awaiting approval:

- SBA is considering raising cap for each individual from maximum amount of \$5MM to \$10MM so even if you have outstanding SBA loans that total about \$5MM you may be able to tap into the increase.
- SBA is looking at removing the affiliation rules that set the size standard, which means that they may look at a small business concern on an individual basis for SMA loan funds, instead of as a collective group, to see if they qualify. Normally you are guaranteed on a SBA debt for \$5MM as a 20%, but if you wanted to apply for another SBA debt for an additional business (under the current affiliation rules) you could not apply, but if this is approved, you would now be eligible for relief funds.
- SBA is not looking at size standard regulations for this relief but number of employees. If the small business concern does not employ more than more than 500 employees, you can qualify. The business still must be located in a State or territory confirmed or presumed to have positive cases of COVID-19.
- The SBA guaranteed funds will be 100% guaranteed by the government verses 75% for SBA 7a guaranteed loans.
- The loan will be zero percent interest versus adjustable interest based on prime for SBA 7a loans.
- There will be no fee requirements on this new loan as SBA 7a loans require on average 2.80% guaranty fee on the total amount of the SBA loan.
- The SBA loan now will be streamlined process and SBA will require a minimum 20% of the total loan approved be disbursed within 5 business days of closing while the loan will be required to be fully disbursed within 14 business days after closing. SBA has not previously had such a timeframe for loan disbursements.
- SBA loan will look for collateral, but if adequate collateral is not available, they cannot decline the loan.
- SBA will possibly allow 50% loan forgiveness if the small business concern can show they have the same amount or increased number of employees during a set time period. SBA has not offered loan forgiveness for employees previously.
- SBA funds for the proposed loan can be utilized to make payroll, pay insurance, taxes, accounts payable, utility bills, mortgages, other debt obligations.

last revised 3/23/20 7:00pm