

CARES Act (H.R. 748) - SBA Lending Changes
 Passed March 27, 2020 Most provisions in place until 12/31/2020

	SBA 7(a) Loan	SBA 7(b)(2) Loan Economic Impact and Disaster Loan (EIDL)
Purpose	The SBA was empowered in July of 1966 to provide loans to qualified small business concerns for plant acquisition, construction, conversion, or expansion, including the acquisition of land, material, supplies, equipment, and working capital.	Under 7(b)(2), the SBA was authorized to make loans to any small business concern, private nonprofit organization, or small agricultural cooperative located in an area affected by a disaster if the concern has suffered a “substantial economic injury”. Needless to say, there is lots of verbage of what constitutes a disaster.
Who funds	Direct from SBA or through a lending partner (bank)	Direct from SBA or through a lending partner (bank)
General Requirements	<ul style="list-style-type: none"> • Business must not have been able to obtain credit elsewhere • Must have been in business for at least one year • SBA guarantees up to 75% of loans over \$150,000; 85% less than or equal to \$150,000 • Requirements on maximum loan terms, maximum borrowed amounts, interest rates, etc. etc. <p>Express Loans were authorized under (31)(A)</p> <ul style="list-style-type: none"> • Allowed banks to use their own documentation and procedures to make SBA loans • Limited to \$350,000 • SBA guarantees 50% of loan 	<ul style="list-style-type: none"> • Business must not have been able to obtain credit elsewhere • Business must have been in business for one year • Loan limited to \$2,000,000 • Loan term cannot exceed 30 years • SBA Guarantee will not exceed 85% • You can apply online at https://www.sba.gov/disaster/apply-for-disaster-loan/index.html
Changes made by CARES Act Expire 12/31/2020	<ul style="list-style-type: none"> • Express loan limit increased to \$1,000,000 • Initiated the Express Bridge Loan Pilot Program <ul style="list-style-type: none"> ○ Offers up to \$25,000 in funding through an SBA Express Lender while waiting for funding on an EIDL loan 	<ul style="list-style-type: none"> • Available to any business with < 500 employees • No need to to prove unable to get credit elsewhere • No personal guarantee or collateral required under \$200,000 • Must have been in operation on 1/31/2020

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Changes made by CARES Act Expire 12/31/2020 (continued from prior page)	<ul style="list-style-type: none"> • Creates a subset of 7(a) called the Paycheck Protection Program. <ul style="list-style-type: none"> ○ Loan based on 2.5 times average monthly payroll (maximum \$10,000,000) that is 100% forgiven if used for qualified expenses (rent, payroll, etc.) from 2/16 - 6/30. 	<ul style="list-style-type: none"> • May approve applicant based solely on credit score and not require a tax return or can use alternate appropriate methods to determine applicant's ability to repay • Allows emergency grants of up to \$10,000 <ul style="list-style-type: none"> ○ Grants will be disbursed within 3 days of request ○ Can be used for maintaining payroll, making rent or mortgage payments, repaying obligations that cannot be met due to revenue losses ○ Even if subsequently denied a 7(b)(2) loan, business is not required to return the grant.
Additional Information	<p>Cannot get both a 7(a) and 7(b)(2) EIDL loan.</p> <p>If you got a 7(b)(2) loan from 1/1/2020 to 2/29/2020, you may request to have it converted to a PPP loan.</p> <p><i>Can you have a PPP loan, get it forgiven after 6/30 and then apply for an EIDL or a 7(a) loan if you still need extra cash flow? That's a question for your bank or the SBA.</i></p> <p><i>Will a bank be willing to extend a Line of Credit or other term loans given that you are receiving 2.5 times your monthly payroll as a gift? My guess is if you were a good credit risk prior to COVID-19, with the government support being provided, private lenders will be willing to extend credit during this time.</i></p>	