SBA Updates from our lenders so far as of 3.26.20

1st Message:

Some information from the Small Business Association on how to navigate this unprecedented time is below.

**What is Economic Injury Disaster Loan Assistance (EIDL)?**
The U.S. Small Business Administration is offering low-interest disaster assistance loans with long payback. These loans can be used as working capital for small businesses suffering substantial economic injury as a result of COVID-19.

**What can my EIDL be used for?**
These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can’t be paid because of the disaster’s impact and loss of business during the disruption.

**How do I find out if my small business qualifies?**
Once a declaration is made by a state’s governor, the information on the application process for EIDL assistance will be made available to affected small businesses within the state. The business must be in a primary or contiguous county to be eligible. Determine eligibility [here](https://go.readycapital.com/e/686683/ela-Declarations-Index/35nvv/95504347?h=PZ1GMr4SxEL1JJlqjfohVRlxi7sI6ZowSA3a6VjxEhs).

**What if my area is not on the list?**
We recommend that you apply anyway. Some states are slower than others to submit to become a disaster area. Your application will be put in a queue to be processed once your state/area is listed.

**What are the rates and terms?**

* Up to**$2 million** per disaster assistance loan. This does not impact other SBA lending amounts and will be determined based on operating expenses and debt payments during the disruption.
* **3.75% interest** for small businesses
* **2.75% interest** for non-profit organizations
* Loans are offered with long-term repayments in order to keep payments affordable, up to a maximum of 30 years
* Terms are determined on a case-by-case basis, based upon each borrower’s ability to repay and the amount of fixed cost that need to be taken into consideration

2nd Message

**The Coronavirus Aid, Relief, and Economic Security Act in the Senate (the “CARES Act”)**, should it become law, would increase the maximum SBA’s 7(a) loan amount to $10 million and expand allowable uses of 7(a) loans to include payroll support (including paid sick or medical leave), employee salaries, mortgage payments, insurance premiums and any other debt obligations.

Please note that the CARES Act is not the same as the SBA economic injury disaster loan (EIDL) program that is already available on the SBA website (the SBA provides EIDL, not us), nor may it be used for the same purpose. Borrowers should evaluate both programs and choose accordingly

* Loans up to $10 Million
* $349 Billion Available
* >/= 500 Employees
* No Collateral Required
* No Personal Guarantee
* 100% SBA Guarantee
* Most Businesses Eligible (No Adult Entertainment for now)
* Loan Forgiveness Possible
* Nationwide Program
* For-Profits & Non-Profits
* Guarantee Fees Waived
* Available to 12/31/20
* Businesses Must be Open as of 2/15/20

**3rd Message:**

 **HANG IN:  LOANS – *WITH DEBT FORGIVENESS* – WILL SOON BE AVAILABLE**

We know that many of you are considering your loan options in the effort to remain operational and to keep your personnel employed.  Before you commit, keep in mind some very significant provisions in the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, which will presumably be signed into law in the next couple of days.

**This advisory is *very*preliminary and will be followed by more detailed advisories, but in the meatime you should be aware of what could be a game-changer for many of you.**

The CARES Act provides that businesses with fewer than 500 employees will have access to nearly $350 billion in “paycheck protection loans” loans during the “covered period,” which runs from February 15, 2020 through June 30, 2020. The loans are generally limited to the *lesser* of your average monthly “payroll costs” for the previous year, or $10 million.  “Payroll costs” is a defined term, and is quite broad, but will not include the compensation of any  employee in excess of an annual salary of $100,000,

The loans will have a maximum maturity of 10 years and an interest rate not to exceed 4%. Proceeds may be used to cover payroll, mortgage payments, rent, utilities, and any other debt service requirements.  Most fees are waived under the Small Business Act, and no personal guarantee is required by the business owner.

**Here is the kicker:**A separate section of the CARES Act provides that **a portion of these loanscan be forgiven on a tax-free basis**. The amount to be forgiven is the sum of the following payments made by the borrower during the 8 weeks starting on the date the loan is made:

·         payroll costs (as defined)

·         mortgage interest

·         rent

·         certain utility payments.

There will be a procedure through which borrowers can submit applications for forgiveness to the lender, providing appropriate documentation of how the loan proceeds were used.

**There are a few devils in the details**: The amount of the loan forgiveness will be reduced if you:

·         Reduce your  workforce during the 8-week covered period when compared to other periods in either 2019 or 2020, or

·         Reduce the salary or wages paid to an employee who had earned less than $100,000 in annualized salary by more than 25% during the covered period.

This reduction can be avoided, however, if you  rehire or increase the employee’s pay within an allotted time period.

**One more thing:  Emergency Government Disaster Loans**

The CARES Act also expands access to Economic Injury Disaster Loans under the Small Business Act:  1) for any loan made under this program before December 31, 2020, no personal guarantee will be required on loans below $200,000, and  2) in some instances ***the government*will pay the principal and interest for the first six months*.***

In addition the Act creates a new Emergency Grant – **not a loan, a grant** -- to allow a business that has applied for a disaster loan to get an immediate advance of up to $10,000.

Final passage and implementation awaits.  We are gearing up to answer your questions and provide more guidance – we are not there yet -- and will provide further details as soon as we can.