



SBA Lending During a Pandemic: What Lenders Need to Know

Webinar Overview

- ✓ **Past:** How to defer SBA loans that were previously made
- ✓ **Present:** Disaster loan funding options for your customers
- ✓ **Future:** How SBA programs will fuel economic recovery

COVID-19 Impact and How Loan Deferrals Help

- ✓ Mandated or voluntary closures or drastic reduction in activity has resulted in extreme decreases in business revenue
- ✓ Fixed costs remain constant – rent, utilities, payroll
- ✓ Inventory is lost or can't be moved

Loan deferrals provide a reduction in monthly payments during economic uncertainty, increasing the likelihood of business success and loan repayment in the long term.

How to request a loan deferral for a customer

Prudentlenders.com/covid19deferrals

- ✓ Borrower name (legal name and dba, if applicable)
- ✓ Contact information (Owner(s) name, email address and phone number)
- ✓ SBA loan number
- ✓ Type of business
- ✓ Length of deferment requested (in months)
- ✓ Has the borrower contacted other creditors/debtors for payment relief? If yes, detail outcome.
- ✓ Summary of impact on business due to COVID-19

Tip: Use Deferral Requests to Bring Loan Files Current

Example: if a business has not provided tax returns for the most recent period, outstanding items would be requested at the time of a loan modification.

- ✓ Reference your monthly list of outstanding items & request missing information as a part of their consideration for payment assistance.
- ✓ Deferrals will not be held up should a client fail to provide historically missing information.

Loan deferral process

You:
Initiate Deferral
Request

- Work out terms with your borrower directly (amount and length of deferral)
- Submit form on the Prudent Lender website

Prudent Lenders:
Prepare
Documents

- Memo and agreement to document the approval of the Note Modification

Prudent Lenders:
Notify SBA and/or
investor

- Send requests for payment assistance to the SBA within 4 business days
- Distribute documents for signature within 2 business days (if decision is unilateral)
- Without delay, process should take approx. 10 business days
- Note: SBA/Investor approval can take up to 15 business days

Loan Deferral FAQs

- As a lender, what do I do when asked to provide a note modification?
- How long can I defer a payment?
- How do I obtain investor's approval to defer a loan?
- Can you add the deferred payments to the end of a loan?
- Can I extend the loan maturity?
- What status code do I use on SBA 1502?
- Do I have to update E-Tran?

Disaster Funding Options: SBA Economic Injury Disaster Loan Program

- ✓ **Loan Amount:** Up to \$2MM including affiliate loans. Amounts will be determined – by the SBA – using one of the two formulas:
 - ✓ **Phase 1:** Gross profit /12 months. Businesses can borrow up to 6 months of gross profit as working capital. Not to exceed \$500K.
 - ✓ **Phase 2:** SBA to compares a normal year of business to current year. Phase 2 is more thorough and will not cap loans at \$500K.

Disaster Funding Options: SBA Economic Injury Disaster Loan Program - continued

- ✓ **Interest Rate:** 3.75% interest, max
- ✓ **Term:** 30 years
- ✓ **No prepayment penalty**
- ✓ **One-year deferment on the loan** – interest will accrue during this period

Disaster Funding Options: SBA Economic Injury Disaster Loan Program - continued

- ✓ **Use of funds:**
 - ✓ Alleviation of economic injury as a result of COVID-19
 - ✓ Pay fixed debts, payroll, accounts payable and other bills that the business would have typically been able to pay had your business not been impacted by COVID-19.*
 - ✓ The funds from these loans cannot be used to replace lost sales, refinance long-term debt or to expand.

****Clients should keep all receipts for 3 years.***

Disaster Funding Options: SBA Economic Injury Disaster Loan Program - continued

- ✓ **Eligibility:**
 - ✓ Application open in all 50 states
 - ✓ Open to businesses directly impacted by the disaster, those that offer services to those directly affected and those likely to be harmed by losses in their community
 - ✓ Fair-to-good credit score
 - ✓ Demonstrated ability to repay the loan
 - ✓ Collateral required for all loans over \$25K
 - ✓ Applicants who have not complied with the terms of prior SBA loans may not be eligible

Important Note:

Lenders can make short term bridge loans that can be taken out by EIDL funding

Application Process

Encourage businesses to submit a complete application online at disasterloan.sba.gov

- EILP loans are provided directly by SBA, not a bank or other lender (as in typical SBA loans).
- No cost to apply
- No obligation to take the loan if approved
- Paper applications are also accepted

Required documents

Encourage businesses to submit a complete application online at disasterloan.sba.gov

- Completed SBA disaster loan application
- 2019 business tax return with all schedules (filed) OR 2019 year-end profit and loss statement/balance sheet and most recent (filed) business tax return
- Tax information authorization (IRS Form 4506T) for applicants, principals and affiliates
- Schedule of liabilities (SBA 2202)
- Personal financial statement (SBA form 413)
- 2020 YTD profit and loss statement
- Additional filing requirements providing monthly sales figures (SBA form 1368)
- Monthly sales figures (SBA 1368)

Application tips for business owners

- Access the application during off hours to avoid outages.
- Submit a complete application– incomplete applications will be sent to the back of the queue.
- Get assistance if you need it: contact your local SBDC, Women’s Business Center and see if they are offering application support.

What to Know About the Economic Stimulus Package

Enhanced 7(a) Loan Program: What is Proposed

- SBA lending authority increased to nearly \$300B
- 7(a) max loan size increased to \$10 million
- 100% government guarantee
- All approved SBA 7(a) lenders will be delegated authority to make and approve loans based on an evaluation of the eligibility of the borrower

**How will you be a part of our
economic recovery?**

Contact me

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