

SBA Economic Injury & Disaster Loan Program

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Note: CARES Legislation has NOT been passed as of 3/26/2020 – commentary does not address proposed legislation

- **SBA's Disaster Loan Program** – is up and running and is in place as of the declaration of National Emergency by President Trump
 - <https://www.sba.gov/disaster-assistance/coronavirus-covid-19>
 - This is a **direct loan program** – apply through SBA website
 - Loan support working capital for small businesses
 - Eligibility based on historical credit and payment ability
 - Fixed at an interest rate not above 4% for 2 years
 - Statutory limit of \$2 million
 - *While proposed legislation (CARES) is looking to eliminate collateral and/or personal guarantee requirement – both are required in the above idle loan scenario*
 - SBA Disaster web page shows areas declared as "state of emergency" - small business owners in all U.S. states and territories are currently eligible
 - If an owner has a disaster idle loan in place – they may still qualify for stimulus relief when it is passed, BUT after legislation is passed the owner cannot be eligible for both
 - SBA Express Bridge Loan – provides for a no collateral loan supporting the immediate need of working capital not to exceed \$25K; this program is available through an existing lender

For HOTEL OWNERS:

COVID-19 Virus is a rapidly developing situation and all government agencies are trying to keep up

- Widespread recognition exists that the travel and lodging industries are under duress; 50% of population is on lockdown and this situation is particularly impacting the hotel industry
- CARES Act under consideration is a \$2T stimulus package – the SBA is reviewing and trying to provide/draft guidance to lenders
- ★ • *If you have an existing SBA loan - Owners should be engaging with their lenders now – lenders have the ability to defer payments for 3 to 6 months*
- ★ • *Current understanding is that owners with existing SBA loans WILL also be eligible for CARES – having an existing SBA loan does not make an owner ineligible for stimulus*
- ★ • *What should owners be gathering today if they anticipate need to apply for stimulus relief:*
 - Financial statements over last year (2019) and YTD; payroll costs, rent, operational costs, mortgage and interest expense.
 - Establish need will be based on history, not based on pro forma
 - Electronic files – everything will be completed digitally
 - All lenders will use electronic platform
 - Make sure any identifying information about your business is in order – Tax ID, etc.
- ★ • *Where can owners find SBA preferred lenders*
 - On the website and within geographic area
 - If you have a banking relationship in place – you should work with an existing lender first
- Institutional lenders are concerned about potential volume of requests and applications – and as a result time needed to complete process – guidance is to be prepared and submit as quickly as is possible