



August 10, 2020

### Payment Relief for SBA Loans

From now until September 27, businesses have an opportunity to apply for additional economic relief for capital expenditures. Section 1112 of the CARES Act permits the SBA to make up to six (6) months of principal and interest payments to assist borrowers with SBA 7(a) and 504 loans. Businesses need to act now to make the necessary purchase and receive loan relief. Some common questions involving this six-month loan forgiveness for expenses include:

**Question: What is the purpose of the payment relief program for existing 7(a) and 504 loans under the CARES ACT?**

**Answer:** To provide immediate relief for SBA borrowers with \$17 billion approved by Congress for the SBA to make loan payments.

**Question: Who is eligible to receive payment relief?**

**Answer:** Loans made under the 7(a) program, loans guaranteed under the 504 program (debenture portion only), and loans made by an SBA microlender

**Question: What does it mean when it says a loan must be in a “regular servicing status” to be eligible for payment relief?**

**Answer:** Regular servicing status means that the loan must be closed, and final disbursements have been made. For a line of credit, initial loan disbursements have been made. If a borrower has a loan in “liquidation” status or with a payment more than 120 days overdue, they will not be considered eligible for payment relief.

**Question: What portion of the loan is the SBA going to pay for?**

**Answer:** SBA is required to pay the principal, interest, and associated fees for all existing and new SBA loans (excluding PPP and EIDL loans) for a six-month period. Section 1112 will not cover late fees or catch-up payments.

**Question: What is the time period the SBA will pay the full payment?**

**Answer:** The SBA will automatically pay the principal, interest, and fees of current 7a and 504 loans for a period of six months starting with the next payment after the date of enactment (3/27/2020). If the payments are currently being deferred, the borrower has the choice to either cancel the deferment and receive payments on the next six months or accept payment on the next payment after the deferment ends. For new SBA loans, the SBA will automatically pay the principal, interest, and fees of new 7a and 504 loans issued prior to **9/27/2020**. A borrower may decide to defer payments on new loans. The six-month period of SBA payments will begin after the deferment ends. If a borrower has less than six months of payments, the borrower will be limited to the balance outstanding.

**Question: What if the current loan is not on a monthly payment schedule?**

**Answer:** The SBA will total the annual loan payments, divide that number by 12, and multiply by 6 to calculate the amount the SBA will subsidize. They will pay the lender based off the payment schedule in place.