U.S. Small Business Administration
Office of Capital Access

504 Connect Call
March 24, 2020
Office of Capital Access

John Miller
Deputy Associate Administrator
504 COVID-19 Options for Borrowers, TPLs and CDC

- **EIDL loans** – webinar conducted on March 19, 2020 – link to the recording provided in the 504 Connect call reminder
- **Lender Match** – web site update to direct borrowers to ODA website where appropriate
- **504 Deferment Options and Expedited Process** for multiple deferment submission
- **504 Catch up plans** may be up to 10 years with justification by borrower and CDC
- **No Adverse Change Procedure for COVID-19 for April, May, June 2020** – procedural notice in clearance; 90 day deferments with COVID 19 Agreements required by April 3rd
- **Electronic Signatures and Scanned Documents** – notice in clearance
- **504 Refinance Program** options with and without expansion are available for borrowers as per SOP 50 10 5 (K)

OFA, OFPO, and CSA will provide more details on deferments, catch up plans and no adverse change.
EIDL Loan Contact Information

• Information on new Economic Injury Disaster Loans (EIDL) related to COVID-19

  • Office of Disaster Assistance hotline: 800-659-2955 or DisasterCustomerService@sba.gov
  
  • https://www.sba.gov/funding-programs/disaster-assistance
Office of Performance and Systems Management

Steve Kucharski
Director
Lender Match

STOP! If you are applying for an Economic Injury Disaster Loan in response to COVID-19, click here.
If you are seeking financing for your business with an SBA guaranteed loan, proceed with the form below.

What is your email address?

What is your full name?

What is your phone number?

Continuar en Español

EXISTING REQUEST

NEW REQUEST
Office of Financial Assistance

Dianna Seaborn
Director

Linda Reilly
504 Loan Program Division Chief
No Adverse Change – COVID-19 Procedures Update

• An SBA Procedural Notice (currently in clearance) will update procedures for documenting No Adverse Change due to the COVID-19 pandemic for the April, May, June 2020 debenture sales

• SBA acknowledges that COVID-19 is an adverse change, but has provided a remediation through an automatic 90-day deferment and a COVID-19 Agreement which will be required for each loan to be submitted for the April 15th debenture sale to be signed by the CDC, the borrower and the TPL

• Date for submitting closing packages for the April remains March 24, 2020.

• CDCs will have until April 3rd to submit the COVID-19 Agreement to District Counsel.

• The COVID-19 Agreement may be signed and submitted separately by the CDC, the borrower and the TPL, but all 3 signatures must be provided for each loan

• Scanned signatures will be accepted.

• For the May and June debenture sales, CDCs will submit COVID-19 Agreements with the closing packages.
The EBL Pilot Program, announced on October 16, 2017 in the Federal Register (82 FR 47958), is designed to supplement the Agency’s direct disaster loan capabilities. Modifications are currently being made to offer these interim loans for this disaster – stay tuned!
Office of Financial Program Operations

Jihoon Kim
Director

Marty Andrews
Deputy Director
COVID-19
504 Deferments

- Policy Notice 5000 – 20008
  - If Business has been adversely affected
  - All loans in Regular Servicing on March 12, 2020
  - Deferment can be granted back to March 1, 2020
  - Granted on or before June 30, 2020
  - CSA to Process Deferment w/out Center Acknowledgment
  - CDC must provide Notice to SBA and CSA within 24 hours of approval
  - 10 days from approval to obtain Center Acknowledgment and provide it to CSA!
• Financial Information
  • 6 months to collect and analyze

• Catch-up Plan
  • 6 months after date the deferment is granted

• Payments
  • Not required
  • Voluntary payments are permitted

• Interest Accrues

• CDC to monitor loan and notify SBA of any adverse change
Community Advantage

• Follow 7a Matrix and SOP 50 57 2

• Loan sold on the secondary market
  • 90 days deferment is a Unilateral Action
  • More than 90 days – Secondary Market Approval – Send to Colson

• Not sold = Unilateral Action
  • Unilateral Action
  • 6 months at a time
  • Document your file accordingly

• Either Case
  • Report as a Code 4 “Deferred” on the 1502 report – Column D
Central Servicing Agent

Oliver Dolan
Managing Consultant, Public Sector Financial Services
Guidehouse
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Introduction
Funding, Servicing, and Deferments during COVID-19

The COVID-19 pandemic is causing widespread stress on small businesses. The SBA continues to release procedural notices to support small businesses during this difficult time. Two of these notices are particularly important for the 504 community:

• The **SBA Procedural Notice released March 19, 2020** titled *Guidance on Deferments for 504 Loans for Businesses Adversely Affected by Coronavirus Disease 2019 (COVID-19)-related Economic Disruptions* provides guidance for CDCs in regard to deferments for 504 Loan borrowers with outstanding 504 loans. Given this, the CSA has increased deferment processing capacity and is introducing an updated method for CDCs to transmit batch deferments to the CSA.

• An **SBA Procedural Notice** to be released will give guidance on 504 Funding and Adverse Changes impacting 504 loans. The CSA will continue to fund debentures and will place the newly funded debentures into an automatic three month deferment.

The following slides will discuss the operational impacts to CDCs as a result of the procedural notices mentioned above.
Loans Funding in April, May & June

The Problem:
SBA has determined that newly funding loans have experienced an 
*adverse change*. The SBA will still fund debentures, and CDCs will be 
required to submit an adverse change document. For more 
information, please refer to *SBA Procedural Notice*.

The Solution:
All loans set to fund in April will still be funded, but will be automatically 
placed in a three month deferment due to COVID-19 causing an 
*adverse change* in the current economic and business environment. 
Note that *the CSA Cutoff date will remain the same*. The Pulled 
Loan Cutoff Date also remains the same, April 6.

What it means for CDCs:
CDCs should communicate with borrowers that newly funding loans will 
be deferred for a minimum of three months.
Current Status:
The CSA has processed deferments submitted by the March 20 deadline (this past Friday), and will not be able to process deferment requests subsequently and prior to the ACH systemic run on April 1.

The Solution:
If a borrower is at risk, the CDC should instruct the borrower to work with its bank to reject the April 1 ACH transaction. They must reject the transaction within 48 hours. The CSA will not be providing refunds if the April 1 ACH debit goes through, so CDCs should reach out to borrowers if they didn’t get the deferment request in by March 20.

What it means for CDCs:
If a Deferment was submitted on or before March 20, the deferment is in place and the borrowers ACH will not be debited. If the borrower needs to miss the April 1 ACH, the borrower must be instructed to contact their bank as described above. A deferment can be processed retroactively for April. Note that deferments are intended to help businesses in need and are optional.
Active Loans – May ACH and beyond

The Problem:
SBA is offering loan deferments for up to six months on active loans. This creates an increase in Deferment and Catch-Up plan requests.

The Solution:
The CSA has created a batch Deferment Request process that uses an Excel template to be completed by each CDC. The new process is for full deferments with standard catch-up plans. If a CDC would like a partial deferment or a step-up catch-up, they should follow the current loan-by-loan CDC 504 Deferment and Catch-Up plan process.

What it means for CDCs:
Instead of completing the CDC 504 Deferment and Catch-Up Form for each loan, CDCs should complete the new Excel template with batches of loans and submit to CSA for processing. Deferral requests can be made starting with the May payment.
Background
The current Deferment and Catch-Up process involves CDCs completing the 504 Deferment and Catch-Up Form and submitting deferments to CSA on a loan-by-loan basis.

<table>
<thead>
<tr>
<th>Actor</th>
<th>Action</th>
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<tbody>
<tr>
<td>CDC &amp; Borrower</td>
<td>Complete 504 Deferment and Catch-Up Form</td>
</tr>
<tr>
<td>CDC</td>
<td>Sends the completed form to <a href="mailto:SBA504CSA@wellsfargo.com">SBA504CSA@wellsfargo.com</a></td>
</tr>
<tr>
<td>CSA User</td>
<td>Checks for completeness and accuracy</td>
</tr>
<tr>
<td>CSA User</td>
<td>Enters the request into ETRAN, generates a plan and sends it to the CDC</td>
</tr>
<tr>
<td>CDC</td>
<td>Signs and returns plan to CSA after reviewing with borrower</td>
</tr>
<tr>
<td>CSA User #2</td>
<td>Reviews the plan and changes status to approved</td>
</tr>
<tr>
<td>CSA User</td>
<td>Uploads signed plan to CAFS and changes status to approved</td>
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</tbody>
</table>
COVID-19 504 Batch Deferment Process Overview

The COVID-19 504 Batch Deferment Process allows CDCs to submit multiple 504 Deferments in a new Excel template and submit the form to CSA for processing. Batch deferments will be reflected in the May 1 debit. For deferments submitted to CSA after March 20, please resubmit the deferments using the new batch process.

Newly Funding Loans will be automatically deferred and should not be entered.

<table>
<thead>
<tr>
<th>Actor</th>
<th>Action</th>
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<tbody>
<tr>
<td>CDC &amp; Borrower</td>
<td>CDC attains <strong>written borrower approval</strong> of deferment</td>
</tr>
<tr>
<td>CDC</td>
<td>Complete the new 504 Deferment and Catch-Up <strong>Excel Sheet</strong></td>
</tr>
<tr>
<td>CDC</td>
<td>Sends the completed <strong>excel sheet</strong> to <a href="mailto:SBA504CSA@wellsfargo.com">SBA504CSA@wellsfargo.com</a></td>
</tr>
<tr>
<td>CSA User</td>
<td>Checks for completeness and accuracy</td>
</tr>
<tr>
<td>CSA User</td>
<td>Creates a master excel file with multiple deferment/catchup requests</td>
</tr>
<tr>
<td>CSA User</td>
<td>Initiates macro, which does the following:</td>
</tr>
<tr>
<td></td>
<td>• Creates deferment &amp; catchup plans in ETRAN based on master file</td>
</tr>
<tr>
<td></td>
<td>• Changes status to “pending review”</td>
</tr>
<tr>
<td>CSA User #2</td>
<td>Changes status to reviewed, send plan to CDC to review with borrower</td>
</tr>
<tr>
<td>CDC</td>
<td>Review/sign plan with borrower, return to CSA</td>
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<tr>
<td>CSA User</td>
<td>Changes status to approved</td>
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</table>
COVID-19 504 Batch Deferment Spreadsheet Step-by-Step
Step 1: Review Spreadsheet Instructions Tab

The 504 Deferment and Catch-Up spreadsheet will be posted on CDC Online and will also be emailed to CDCs. The Instructions tab of the spreadsheet contains instructions for how to properly submit the information.

![Instructions Tab Screenshot]
Step 2: Complete Spreadsheet Data Tab

On the Data tab, CDCs should list the 10 digit loan number, the first month of deferment, the last month of deferment, and the last month of Catch-Up.

<p>| | | | | |</p>
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<tr>
<td></td>
<td>Enter the 10 digit Loan number.</td>
<td>Enter the first month of the deferment period. Format must be mm/dd/yyyy.</td>
<td>Enter the last month of the deferment period. Format must be mm/dd/yyyy.</td>
<td>Enter the last month of the catch-up period. Format must be mm/dd/yyyy. The first month of the catch-up period is the month following the last deferment period.</td>
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<td>3</td>
<td>Loan Number</td>
<td>First Month of Deferment</td>
<td>Last Month of Deferment</td>
<td>Last Month of Catch-Up</td>
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</table>
### Spreadsheet Data Tab

**Example**

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<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Enter the 10 digit Loan number.</td>
<td>Enter the first month of the deferment period. Format must be mm/1/yyyy.</td>
<td>Enter the last month of the deferment period. Format must be mm/1/yyyy.</td>
<td>Enter the last month of the catch-up period. Format must be mm/1/yyyy. The first month of the catch-up period is the month following the last deferment period.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Loan Number</td>
<td>First Month of Deferment</td>
<td>Last Month of Deferment</td>
<td>Last Month of Catch-Up</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>1111111111</td>
<td>4/1/2020</td>
<td>7/1/2020</td>
<td>8/1/2021</td>
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</tr>
<tr>
<td>5</td>
<td>2222222222</td>
<td>5/1/2020</td>
<td>9/1/2020</td>
<td>10/1/2025</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>3333333333</td>
<td>4/1/2020</td>
<td>9/1/2020</td>
<td>10/1/2022</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Step 3: Submit Batch Deferments to CSA

Submission Email Format

How should my email to SBA504CSA@wellsfargo.com look?
- Subject Line: COVID19_Deferment_Catchup_Request
- Remember to attach your spreadsheet!

Timing

When should I send in my completed excel sheet to the CSA?
To the extent possible, please consolidate your batch deferral requests. Sending a weekly file at the end of each week with all deferrals received that week is preferred. Note: the deferral request deadline (20th of every month) remains the same throughout this new process

Accuracy Check

What will CSA Analysts be checking for? Here are some examples:
- Loan is active and in “regular servicing” status
- Catchup payments are higher than regular payments
- Catchup period is less than 10 years
- Catchup period ends before loan maturity date
Additional Information
Deferment Deadline

Deferment Submission Deadline remains the 20th of the month.

April 1 Debit

If a deferment was not submitted by the March Deadline (March 20) the April 1st debit will still occur. In order to prevent the debit from occurring the CDC and borrower should work together to contact the bank and have the ACH payment rejected. Batch deferments that are received by the April Deadline (April 20) will go into effect beginning with the May 1 Debit.

Deferment Processing and Retroactive Deferments

The CSA has increased its deferment processing capacity and is working to process deferments as quickly as possible. All Deferment Requests for active loans in regular servicing are accepted. Deferments can be made retroactively to March.
Questions?

Ask your questions using the chat box
Please direct deferment spreadsheet questions to:

- **CSA Email:** [sba504csa@wellsfargo.com](mailto:sba504csa@wellsfargo.com) (email is preferred during COVID-19)
- **CSA Phone:** 1 (855) 572-1637
Upcoming Training Calls & How to Subscribe

7(a) Connect Call April 7, 2020 at 3:00 Eastern
Register at: https://ems8.intellor.com/?do=register&t=1&p=820109

504 Connect Call June 9, 2020 at 3:00 Eastern
Register at: https://ems8.intellor.com/?do=register&t=1&p=822809

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