Agenda

Bill Manger – Welcome

Dianna Seaborn - SBA Loan Deferrals & EBL

John Wade – 1502 Reporting and Secondary Market

Ed Ledford-

Jerome Edwards - Economic Injury Disaster Loans
Office of Capital Access

Bill Manger
Associate Administrator
Office of Capital Access

John Miller
Deputy Associate Administrator
Reminders on Deferments – 7(a)

Encouraged to assist borrowers experiencing temporary cash flow issues using their existing authority to defer loan payments for a stated period of time

Information Notice 5000-20004

7(a) Loans:

• For a Loan Not Sold on Secondary Market: Lenders may grant a deferment of up to six (6) consecutive months.

• For a loan sold in the Secondary Market, Lenders should use Colson’s Customer Service Online Request (CSOR) for all deferments less than or equal to 12 months, including Lender notification to Colson of unilateral 3-month deferment. Access CSOP online at https://colsonservices.bnymellon.com

• Borrower’s financial information should be reviewed and analyzed” prior to granting a deferment
  • Should = recommended per SOP 50 57 definitions
  • Lenders should simply document loan files with justification that deferment is due to COVID-19 economic disruption.

• For additional detailed guidance regarding deferments of 7(a) loans, please refer to SOP 50 57 2.

• 1502 Lender Loan Reporting (Status 4)
Reminders on Deferments – 504

Encouraged to assist borrowers experiencing temporary cash flow issues using their existing authority to defer loan payments for a stated period of time

Coming Soon!! Procedural Notice 5000-20008

504 Loans:

• The amount deferred should not exceed six (6) cumulative monthly payments or 20% of the original loan amount, whichever is less. Unless SBA has purchased the Debenture, the CDC must notify the (CSA) of any deferment in order to avoid acceleration of the Note and the need to purchase the Debenture.

• For additional detailed guidance regarding deferments of 504 loans, please refer to SOP 50 55.

• For information on a new disaster loan - Economic Injury Disaster Loan (EIDL) Loans related to COVID-19, please call ODA hotline at: 800-659-2955 or visit
The SBA Express Bridge Loan (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 COVID-19 Emergency Declaration– stay tuned!
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?

[EXISTING REQUEST]  [NEW REQUEST]
Office of Credit Risk Management

Susan Streich
Director
susan.streich@sba.gov
Deferments – Overview

• Deferments are a servicing action subject to 13 CFR 120.530, SBA SOP 50 57 2, SBA 1502 Reporting Requirements, and, if the loan has been sold, SBA Form 1086.

  • The “Servicing and Liquidation Actions, 7(a) Lender Matrix” also provides useful information.

• The Borrower’s financial information should be reviewed and analyzed in accordance with prudent servicing and lending practices to ensure that the Borrower’s cash flow problems are temporary and that the Borrower is otherwise viable.

• When an SBA loan is more than 60 calendar days past due and the Borrower’s problems appear to be permanent or long-term, a deferment should not be granted. Instead, the loan should be classified in liquidation and more appropriate Loan Actions should be initiated such as liquidation of the collateral and compromise with the Obligors.
Deferments - Approval

SBA and/or Investor Approval

- Per the “Servicing and Liquidation Actions 7(a) Lender Matrix”, this is a unilateral action and SBA notification or approval is not required.

- For loans that have been sold in the secondary market, any payment modifications, change to the loan amount, interest rate changes, extensions of maturity and deferments over 90 days (cumulative) must have investor approval.

  - Lenders Should send these Servicing Requests directly to the Fiscal Transfer Agent (FTA, currently Colson Service Corp.), with subsequent notification and evidence of investor approval forwarded to the appropriate Commercial Loan Servicing Center (CLSC).
Deferments – Payment Information

Payment Amount During Deferral Period
Payments during a deferment period are not mandatory, but are preferred since even a small payment, such as $1, will keep the Borrower in the habit of making payments and will also keep the Borrower’s pre-authorized debit method of payment active.

Interest Accrual
Generally, interest will continue to accrue during a deferment period, and may be handled in one of the following ways:

- Interest may be paid during the deferment period;
- The deferred interest may be paid in a lump sum at the end of the deferment period;
- After the deferment period, the loan payment may be increased for a period of time necessary for the Borrower to catch up to the original amortization schedule; or
- When payments resume, they may be applied first to accrued interest, then to principal.
Deferments – 1502 Reporting

The SBA has requirements for reporting a loan that is in deferral.

The Loan must be reflected on the 1502 Report with a status “4”. This advises the SBA that the principal or principal and interest (P&I) payments have been deferred.

For example, loan's P& I payments are deferred and are to resume on 5/1/YY. Report Next Installment Due Date as 5/1/YY, Status Code 4, Interest To date and Guaranteed Portion Closing Balance as of last payment received.

In addition to status “4”, the next installment due date, which is the date the borrower is scheduled to make its next payment, should be the date the borrower is to resume making payments.

One of the most common reporting errors is:

- Status 4 is entered the first month the loan is placed in Deferred Status and not in subsequent months while in Deferred Status. Status 4 must be entered every month the loan is in Deferred Status. If not, the loan will not be reflected as in Deferred Status.
Although the Portal does not identify adverse impacts to a Lender’s portfolio based on disasters (e.g., Emergency Declaration or Major Disaster Declaration), the risk-based review process strives to identify the possible impacts and identifies that in “Review Conclusions and Recommendations”.

This conclusion is based off one of the questions in the needs list asks if the Lender’s primary market has been adversely affected by a disaster within the preceding 24 months.

*Primary market for the purpose of a Risk Based Review is defined as 25.0 percent or more of 7(a) Gross Loan Dollars associated with projects in counties included in a presidential disaster declaration or an emergency declaration.*
Deferments – RBR Examples

• The Lender advised that its primary marketplace has been affected by disasters (fires in the Southern California). To date, there has not been any direct impact on the 7(a) portfolio.

• The Lender’s portfolio had cumulative PARRiS Score of 33 – Moderate Risk prior to Hurricane Harvey. Following the hurricane, the Lender’s cumulative score deteriorated to 45 – Higher Risk. Per the data, most of its active loans did not experience repayment issues until after the natural disaster and the Lender confirmed that the natural disaster had an adverse effect on the performance of its 7(a) loans.
Economic Injury Disaster Loans (EIDL)

The U.S. Small Business Administration (SBA) is offering designated states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19).

Upon a request received from a state’s or territory’s Governor, SBA will issue under its own authority an Economic Injury Disaster Loan declaration.*

*As provided by the Coronavirus Preparedness and Response Supplement Appropriations Act that was recently signed by the President.
Economic Injury Disaster Loans (EIDL)
Revised Criteria (as of March 17, 2020)

1. Faster, Easier Qualification Process for States Seeking SBA Disaster Assistance.

<table>
<thead>
<tr>
<th>Historically</th>
<th>Revised</th>
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<tbody>
<tr>
<td>At least five small businesses have suffered substantial economic injury as a result of a disaster with at least one business located in each declared county/parish.</td>
<td>Only required to certify that at least five small businesses within the state/territory have suffered substantial economic injury, regardless of where those businesses are located.</td>
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2. Expanded, Statewide Access to SBA Disaster Assistance Loans for Small Businesses.

<table>
<thead>
<tr>
<th>Historically</th>
<th>Revised</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBA disaster assistance loans only available to small businesses within counties identified as disaster areas by a Governor.</td>
<td>Economic Injury Loans related to Coronavirus will be available statewide following an economic injury declaration by the Governor.</td>
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</tbody>
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Economic Injury Disaster Loans (EIDL)

What businesses are eligible to apply?

• Small businesses, agricultural cooperatives & aquaculture businesses
• Most private non-profit organizations

Includes:

• Businesses directly affected by the disaster
• Businesses offering services directly related to the businesses in the declaration
• Other businesses indirectly related the industry that are likely to be harmed by losses in their community
Economic Injury Disaster Loans (EIDL)

Criteria for Loan Approval

Credit History
Applicants must have a credit history acceptable to the SBA.

Repayment
SBA must determine that the applicant business has the ability to repay the disaster loan.

Eligibility
Applicant business must be physically located in a declared state and suffered working capital losses due to the coronavirus pandemic; not due to a downturn in the economy or other reasons.
Economic Injury Disaster Loans (EIDL)

How much can a business borrow?
• Eligible entities may qualify for loans up to $2 million.
• Interest rates:
  • 3.75 percent for small businesses
  • 2.75 percent for nonprofit organizations
• Terms up to 30 years.
• Eligibility for these working capital loans are based on:
  • Size & type of business (must be a small business)
  • Business’ financial resources

How can loan funds be used?
• Working capital loans
• Pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred
• Not intended to replace lost sales/profits or for expansion
Economic Injury Disaster Loans (EIDL)

What are the collateral requirements?
- Economic Injury Disaster Loans over $25,000 require collateral
- Real estate as collateral if available
- SBA will not decline a loan for lack of collateral, but requires borrowers to pledge what is available

Important information
- Apply online: DisasterLoan.sba.gov (Not through a bank)
- No cost to apply
- No obligation to take the loan if offered
- Applicants qualify for an EIDL for the Coronavirus (COVID-19) disaster even if they have an existing SBA Disaster Loan
  - Loans cannot be consolidated
Economic Injury Disaster Loans (EIDL)

Ineligible Entities:

• Agricultural Enterprises
  • If primary activity of the business (including its affiliates) is as defined in Section 18(b)(1) of the Small Business Act, neither the business nor its affiliates are eligible for EIDL assistance.

• Religious Organizations

• Charitable Organizations

• Gambling Concerns or organizations that derive more than $\frac{1}{3}$rd of their annual gross revenue from legal gambling activities

• Casinos & Racetracks
Economic Injury Disaster Loans (EIDL)

Information Required

- Completed SBA loan application (SBA Form 5)
- Tax Information Authorization (IRS Form 4506T)
  Available through online application or at IRS.gov
- Most recent Federal Income Tax Return
  - For principals, general partners or managing member, and affiliates
  - Including all schedules
- Schedule of Liabilities (SBA Form 2202)
- Personal Financial Statement (SBA Form 413)

_Filing electronically is easiest, fastest and most accurate_
Economic Injury Disaster Loans (EIDL)

Additional Filing Requirements

Additional information may be requested:

If most recent Federal income tax return not yet filed:

- Year-end profit & loss statement
- Balance sheet
- Current year-to-date profit & loss statement
- Additional Filing Requirements (SBA Form 1368) providing monthly sales figures.
Questions?