

UPDATE to Technical Issues Memo 23-20

To: NADCO Members (Please disseminate to all appropriate personnel)

From: Rhonda Pointon, President & CEO

Subject: UPDATED SBA Procedural Notice 5000-20020 – Implementation of CARES Act, Subsidy for Certain Loan Payments, for 504 and 7a Loan Programs

Date: April 18, 2020

SBA provided NADCO with an updated version of SBA Procedural Notice 5000-20020 (Prior Notice was issued April 16, 2020). This updated version has a few changes which NADCO has noted below. Notice 5000-20020 provides guidance for 504 and 7(a) loan subsidy payments from implementation of the CARES Act. Under section 1112 of the CARES Act, SBA will provide debt relief to borrowers in the 7(a), 504, and Microloan Programs. This Notice addresses the implementation of Section 1112 for the 7(a) and 504 Loan Programs.

In accordance with section 1112(c), SBA will pay the principal, interest, and any “associated fees” that Borrowers owe on a “covered loan” in a “regular servicing status” to 7(a) Lenders and Certified Development Companies (CDCs) for a 6-month period. SBA will make these payments in accordance with the criteria and procedures described in the notice. Please read the notice in its entirety, as it covers:

- A. Definitions
- B. Implementation of the Six-Month Period of Payments
- C. Loans on Deferment; including 504 Deferments Granted Prior to the Debenture Sales held on April 15, 2020; Deferments Granted in Accordance with Procedural Notice 5000-20010 for 504 Loans Funded through the Debenture Sales Held on April 15, 2020; No Adverse Change Determination for 504 Loans to be Funded through May and June Debenture Sales
- D. Waiver of Statutory Limits on Maximum Loan Maturities

The changes within the updated version of the notice are laid out below for your convenience and the full updated version of the notice is linked below.

A. Definitions:

- 2. A loan in “regular servicing status”

Sections d. and e. have been combined with b. No additional language was added.

- 4. “Associated fees” means the fees paid by the Borrower on a monthly basis including:

Section b. added 13 CFR 120.221(b).

B. Implementation of the Six-Month Period of Payments. SBA will implement the six-month period of payments as follows:

This section was renumbered and added the below:

6. For revolving lines of credit with outstanding balances, SBA will make the loan payments for the 6-month period in accordance with the payment terms stated in the loan authorization. The

payments made by SBA may not be used to cover any balloon payments. In addition, for loans made under the Export Working Capital Program, if a loan matures during the 6-month period of SBA payments and another loan is taken out for the same purpose, the maximum amount that SBA will pay on these loans combined is a total of 6 months of payments. If a Lender receives more than the 6 months of payments, the Lender must immediately notify SBA and immediately return the payment;

Removed “7(a)” from sentence that now reads:

9. If a Lender receives any regular loan payment due from a Borrower, in whole or in part, during the 6-month period that SBA is making the loan payments, the Lender must inform the Borrower that it has the option of the Lender either returning the loan payment to the Borrower or applying the loan payment to further reduce the loan balance after application of SBA’s payment.

C. Loans on Deferment.

2. 504 Loans.

c. No Adverse Change Determination for 504 Loans to be Funded through May and June Debenture Sales.

Added:

Note that the COVID-19 Agreement referenced in paragraph 2 above is attached to Procedural Notice 5000-20010.

If you would like to access this TI Memo, or the updated SBA Procedural Notice via the NADCO website, please click below.

TI Memo 23-20

[SBA Procedural Notice 5000-20020](#)