



SBA Updates on PPP and 7(a) Latest News

4/24/2020

IMPORTANT NOTE: *You are receiving this as a registered Diamond Financial Newsletter recipient. Please note that this and any further updates regarding SBA loan programs and COVID-19 will be temporary and informational ONLY. Much of this information changes daily and as we distribute the updates please understand we try to provide the most current available.*

We here at Diamond Financial are monitoring current SBA activities involving the Paycheck Protection Program (PPP) and the effects it may have on 7(a) acquisition loans moving forward. Today we will cover:

- Possible 7(a) shutdown with thoughts and comments
- PPP FAQ updates as of 4/23, the “interim final rules”
- Current 4506-T requirements for loans in closing today

Possible SBA 7(a) Shutdown

As of midweek, the realization had set in that the PPP’s allocated funding is combined into the SBA 7(a) program allocation, and people started to panic. This means that if nothing changes, then yes, 7(a) acquisition funding will be shut down. Here is what many are **NOT** telling you: the government does not want this to happen and is addressing this as we speak, with many involved in providing solutions. There are current solutions being presented that are “**NO COST**” avenues to reallocate funding.

Based on my experience working with the SBA for almost 25 years, I see a resolve to this before it becomes a true problem or concern for the intermediaries of the country. I believe the focus is, and will continue to be, on the small businesses in the United States as they lead us out of our current conditions and unemployment levels. Once the PPP is behind us, the focus will turn back to the 7(a)-allocation concern and we will monitor this as we have and will continue to inform the broker industry of any progress we uncover.

NOTE: In 2010, the SBA recognized the importance of small businesses and passed a recovery act that allowed SBA lenders to receive a 90% guaranty on loans written along with waiving all borrower fees. Could this happen again? It has been discussed already, and even proposed, prior to the C.A.R.E.S. Act being signed. We believe this could greatly impact our acquisition markets if this is included in the above concern resolution.

Let us imagine for a second the SBA shutdown happens and we can no longer secure loan numbers through July 1, when PPP ends. What can we do? Our opinion is to adapt and stay the course as we continue to push lenders and the SBA to resolve this concern and keep these transactions moving forward. **If you have a current loan in closing, you should be sure your lending partner has secured a PLP or GP loan number BEFORE the current PPP allocation is exhausted!**

We honestly believe that this will be resolved but understand that we are all in this together and it is up to us to remain calm, focused, and committed to the buyers and sellers we serve.

Paycheck Protection Program

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (C.A.R.E.S. Act) was signed into law which allocated \$349 billion to the SBA for a new loan program to assist small businesses directly impacted by COVID-19.

Since inception, there have been many changes and updates to this program and today I have included the latest version of the frequently asked questions provided on April 23 by the SBA. This clarifies and answers many of the most common questions surrounding the PPP loan program. [Read the FAQ here.](#)

Current 4506-T Requirements

Once President Donald Trump declared the coronavirus a pandemic, the SBA responded to this by allowing lenders to close loans after not receiving a response of verification from the IRS within 10 days of the request. The memo states that if a lender is “unable to submit” due to IRS suspension or lack of response after 10 days, the lender “may proceed to close and disburse the loan.”

Do not allow a lender to hold up a closing due to the lack of tax return verification. [Read the memo here.](#)

No one knows what the next few weeks or months may hold, but what I can assure you is that we will be here to continue assisting small businesses to lead the country’s growth in the coming years.

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