



Let's get started.

Today's Update on SBA 7(a) and Disaster Loans.

IMPORTANT Information for Brokers.

3/19/2020

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.*

We at Diamond Financial are monitoring the current SBA Disaster Relief loan programs and will attempt to summarize the important facts that brokers need to know as we move through this national emergency. Our hopes are that you can share this information with previous business buyers along with all new acquisition prospects to provide a better understanding of the lending markets as of today and going forward during these uncertain times. We will continue to provide updates on this and all information regarding SBA loans as new facts become available. I will keep this brief and summarize the specialty disaster relief efforts in effect and how we expect them to adjust moving forward along with the expected temporary changes to the 7(a) acquisition loan criteria (important for brokers).

Regarding the SBA Disaster Relief Assistance – The \$50 billion funding program President Donald Trump announced on March 11th, 2020 during his address to the nation on the COVID-19 pandemic is being facilitated through the SBA, not the banks. [Click here to see the federal assistance program.](#)

The SBA has been overwhelmed with inquiries on their website. There are three challenges they are currently facing:

- 1) The SBA's normal disaster process requires the governor of each state to declare a desire to participate in the federal program. It seems obvious that all would opt in, but there is some documentation required in order to make the formal request to participate and not all governors had the required data at their fingertips. They are all working on it, but as of this writing only nine states have formally opted in. The states that are currently participating are California, Idaho, Massachusetts, Minnesota, North Carolina, New York, Oregon, Rhode Island, and Washington. Additional states are being added daily.
- 2) The Office of Disaster Assistance, established in 1953 with the inception of the SBA, is set up to address localized disasters, such as hurricanes, oil spills, wildfires, and other events. COVID-19 is a nationwide issue, and frankly, the SBA is not currently staffed to handle the volume of inquiries. They are aware of the issue and are working to resolve the problem, but it is going to be some time before they fully ramp up capacity and improve response times.
- 3) For those whose states are participating, the current and historical process has been that the business owner needs to provide financial statements showing the negative economic

impact caused by the event. We are not sure yet if they are entertaining requests based on projected cash needs or if the impact must be demonstrated in the form of a one or three month look back period. This is a significant issue that will be frustrating to business owners looking for immediate relief and assistance. We are working with our direct lenders to share our concern based on what we are learning, and to recommend some form of an abbreviated application process, perhaps based on a percentage of revenue, that would allow faster access to funds, particularly when so many are faced with the same event and relative impact in terms of reduced revenue, reduced staffing availability, or slower access to their supply chain.

We are directing our previous client base to the [SBA.gov](https://www.sba.gov) website to learn specific information regarding their status and actual loan availability.

Regarding temporary changes expected for 7(a) lending – On March 12th, 2020, U.S. Senator Marco Rubio (R-FL), Chairman of the Senate Committee on Small Business and Entrepreneurship, introduced a proposal to immediately open up the SBA’s 7(a) loan program to provide near-term relief to small businesses that face payroll and operational challenges due to economic effects from COVID-19. [Link to announcement.](#)

The highlights of this bill are:

- Increasing the 7(a) loan program, which includes the Community Advantage pilot program, authorization level by \$50 billion.
- Allow any 7(a) borrower to use the proceeds of the loan for payroll support, including paid sick leave.
- Waive all fees for all 7(a) loans for one year for both lenders and borrowers.
- Provide a 90% loan guarantee for all loans, no matter the size.
- Increase the loan limit for SBA Express from \$350,000 to \$1,000,000. This program currently provides an accelerated turnaround time of 36 hours for SBA review and provides a revolving line of credit for small businesses.
- For Economic Injury Disaster Loans (EIDL) made in response to COVID-19 not exceeding \$350,000, allows SBA to determine repayment ability based solely on an applicant’s credit score, and not required to find that the applicant is unable to obtain credit elsewhere.
- Utilize existing disaster subsidy balance to support any subsidy costs and prevent the need for an appropriation.

Our staff at Diamond Financial is working closely with our lenders and monitoring the lending situations by the hour. We will continue to update the broker communities as we better understand the effects on our industry. We remain committed to the support of the broker community. We hope this provides information that can assist your clients during these uncertain times.

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