

## SBA Halts PPP Applications, but Other Relief Options Remain

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This morning the SBA announced that "The SBA is currently unable to accept new applications for the Paycheck Protection Program based on available appropriations funding." This halt in application processing indicates that the nearly \$350 billion allocated to this program is being depleted much faster than expected by congressional leaders.

Additionally, the SBA stated on its website that it has also run out of funding for the Economic Injury Disaster Loan Program (EIDL), including the \$10,000 advances under the Program. Applicants who have already applied will continue to be processed on a first-come, first served basis.

However, other assistance to small businesses outside the EIDL and Payroll Protection Program is still in place and includes the following, without limitation:

1. Standard 7(a)

Maximum loan amount	\$5 million
Maximum SBA guarantee %	85% for loans up to \$150,000 and 75% for loans greater than \$150,000
Interest rate	Lenders and borrowers can negotiate the interest rate, but it may not exceed the SBA maximum
Eligibility decision	By the SBA. Qualified lenders may be granted delegated authority (PLP) to make eligibility determinations without SBA review.
Revolving lines of credit	Up to 10 years (Permitted only under CAPLines submission. See below)
SBA turnaround time	5-10 business days
Forms	SBA Form 1919 and SBA Form 1920 are required for every loan (other SBA Forms may be required)
Collateral	Lenders are not required to take collateral for loans up to \$25,000. For loans in excess of \$350,000, the SBA requires that the lender collateralize the loan to the maximum extent possible up to the loan amount. If business fixed assets do not "fully secure" the loan the lender may include trading assets (using 10% of current book value for the calculation), and must take available equity in the personal real estate (residential and investment) of the principals as collateral.
Credit decision	By the SBA. Qualified lenders may be granted delegated authority (PLP) to make credit decisions without SBA review.

## 2. 7(a) Small Loan

Maximum loan amount	\$350,000
Maximum SBA guarantee %	85% for loans up to \$150,000 and 75% for loans greater than \$150,000
Interest rate	Lenders and borrowers can negotiate the interest rate, but it may not exceed the SBA maximum
Eligibility decision	By the SBA. Qualified lenders may be granted delegated authority (PLP) to make eligibility determinations without SBA review.

SBA turnaround time	5-10 business days
Forms	SBA Form 1919 and SBA Form 1920 are required for every loan (other SBA Forms may be required)
Collateral	Lenders are not required to take collateral for loans up to \$25,000. For loans over \$25,000, up to and including \$350,000, the lender must follow the collateral policies and procedures that it has established and implemented for its similarly-sized non-SBA-guaranteed commercial loans, but at a minimum the lender must take a first lien on assets financed with loan proceeds and lender must take a lien on all of the applicant's fixed assets including real estate. Lender is not required to take a lien against applicant's real estate when the equity is less than 25% of the fair market value. The lender may limit the lien taken against real estate to the loan amount.
Credit decision	By the SBA. Qualified lenders may be granted delegated authority (PLP) to make credit decisions without SBA review.

### 3. SBA Express

This program features an accelerated turnaround time for SBA review. The SBA will respond to applications within 36 hours.

Maximum loan amount	\$350,000
Maximum SBA guarantee %	50%
Interest rate	Lenders and borrowers can negotiate the interest rate, but it may not exceed the SBA maximum
Eligibility decision	Made by the lender
Revolving lines of credit	Up to seven years with maturity extensions permitted at the outset
SBA turnaround time	Within 36 hours
Forms	Lender primarily uses own forms and procedures, plus SBA Form 1919
Collateral	Lenders are not required to take collateral for loans up to \$25,000. May use their existing collateral policy for loans over \$25,000 up to \$350,000.
Credit decision	Made by the lender

Purchase	Lender may request expedited SBA purchase on small loans or in situations where liquidation may be delayed
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Other available SBA loans include Export Express (which provides exporters and lenders with a streamlined method to obtain SBA-backed loans and lines of credit up to \$500) and Export Working Capital (which provides working capital loans for businesses that can generate export sales and need additional working capital to support these sales).

Prior to this announcement from the SBA, several congressional leaders had acknowledged the need to pass another emergency bill to limit the damage from the coronavirus pandemic. Marco Rubio, a Florida Republican and chairman of the Senate Small Business and Entrepreneurship Committee, has stated that Congress will likely have to expand pieces of the \$2.3 trillion dollar stimulus package passed in March.

U. S. House Speaker Nancy Pelosi is also pushing for another bi-partisan bill to build on the CARES Act. She has stated that the new bill should include more direct payments to individuals, additional small business funding, and an extension of the enhanced unemployment insurance. During an April 6 conference call, Pelosi told Democrats that a bill Congress was negotiating with the Trump administration could include an excess of \$1 trillion and another set of direct payments to individuals.

The House returns on April 20 and additional relief is likely to be a top priority.

We will continue to monitor updates from Congress and the SBA and provide you with any new information as it becomes available.

Be sure to visit our Coronavirus (COVID-19) Resource Center page to keep up to date on the latest news.