



## COVID-19 SBA 7(a) Recovery Loan Overview

Purpose: Under [the emergency SBA loan] bill, small business owners will be able to finance payroll, employee benefits such as paid leave, and existing debt. Borrowers would be authorized to use loan proceeds for payroll support, including payments for sick, medical or family leave.

### Qualification Guidelines:

- Time in Business: 2+ years
- Must have a Federal Tax ID Number (EIN)
- Must have been cash flow positive prior to March 1, 2020.
- Minimum personal credit score: 620
- Estimated timeline for approvals: 5-7 business days- after all docs are received
- Must pass the 'credit elsewhere' test
- Minimum DSCR of 1.15%
- Ineligible Industries: Vices, Multi Level Marketing, Speculative Investment firms (real estate)

### How much can be requested?:

- This program funds \$250,000 to \$10,000,000
- How much should I request? - This will be based on the **verifiable** average cost of your monthly expenses for 6-9 months. Uses may include:
  - Commercial building rent / mortgage payment
  - Monthly debt service
  - Payroll Expense - based on average total monthly payments for payroll from 3/1/19 through 6/30/19
  - Insurance
  - Normal payables for the course of business
  - Example: Total Monthly expenses \$50,000 x 9 months = \$450,000 request
- If you have current SBA loans, those balances are deducted from your total eligibility cap.

### Required Documentation:

- Signed application and credit authorization
  - Business Tax Returns: 3 years of filed returns\* - for business entity and all affiliated entities
  - Interim Financial Statements (last 60 days)
    - Income Statement (P&L)
    - Balance Sheet
    - AR and AP aging
  - Personal Tax Returns: 3 years of filed returns\*\*
  - Driver's Licenses - all owners, proprietors, partners, officers, directors, and stockholders with 20% or more ownership in the entity
  - Personal Financial Statement for all owners (signed within last 60 days)
  - Explanation of business operation, impact on business, use of proceeds
- \*If 2019 returns have not been filed - provide 2019 year end financials  
\*\* If 2019 personal returns have not been filed - provide owner K-1, 1099, w-2, etc.

### Additional Details:



Release 3-19-20:

- **\$300 billion** in lending authority for SBA 7(a) loans
- Borrowers can get this SBA 7(a) loan OR an EIDL (direct SBA disaster loan), but not both
- 100% government-guarantees on these SBA relief loans made through 12/31/20
- Loan sizes of up to \$10MM, calculated by taking the average total monthly payments by the applicant for payroll, mortgage payments, rent payments, and payments on any other debt obligations incurred during the one-year period before the date on which the loan is made (except for applicants with seasonal employees, in which the payroll is based on the average total monthly payments for payroll from 3/1/19 through 6/30/19)
- Loan proceeds are only for payroll support including medical leave, costs related to health benefits, employee salaries, mortgage payments, rent, utilities, and any other debt payments incurred before the covered period. (These relief loans are not eligible for business acquisitions, real estate purchases, or other typical 7a loan proceeds)
- Available for currently eligible SBA borrowers AND not-for-profits
- Delegated (underwriting) authority will be made for SBA participating lenders to expedite loan processing
- Borrower and lender guarantee fees will be waived
- Provides a "process" (TBD) by which borrowers will be eligible for loan forgiveness in an amount equal to their payroll cost and costs related to debt obligations for the period between 3/1/20 and 6/30/20. The amount of forgiveness will be reduced proportionally by the number of employees laid off during this time, and it will also exclude employees making in excess of \$100k from this "forgiveness" calculation
- Lenders must verify payroll costs

\*\*\*Additional details will be released from the SBA and this document will be updated to reflect those details and changes.