

# COVID RELIEF/STIMULUS BILL CHEAT SHEET



Here are the key details of the new Covid Relief/Stimulus Bill as it relates to the SBA 504 program. As always, we are committed to helping you stay up to date on the provisions that matter for you and your clients.

## Get a Head Start on the Opportunities Ahead:

- **Attract deals:** Seek opportunities within your current portfolio and with your prospects to market the program
- **Start the application process now:** Identify who might benefit from the new provisions and get those applications started
- **Take full advantage of the offerings:** With multiple benefits to your clients, the SBA 504 is one of the best lending vehicles on the market at this time.

We highly recommend you stay in close contact with your loan officer for the latest details.

**SUMMARY** Many of the provisions elevate the SBA 504 program to be an even more attractive loan product in the current environment. The summary below provides you a roadmap.

## 1. TEMPORARY FEE ELIMINATION FOR THE 504 LOAN PROGRAM

- From enactment of law and **ending on September 30, 2021**
- Elimination of 0.5% Third Party Lender fee (also known as SBA participation fee)
- Elimination of 1.5% CDC Fee in debenture pricing offset with appropriation to pay the CDC

## 2. REFINANCING SENIOR PROJECT DEBT (Strong client retention tool)

- Advantage for existing 504 lenders to help clients in portfolio looking to release working capital and restructure the 1st
- During the 1-year period following enactment of the law, a CDC can process a cash-out subordination to re-leverage the TPL loan to a total 90% loan to value (LTV) when combined with the outstanding balance on the existing 504 loan

## 3. EXTENSION OF CARES ACT SECTION 1112 PAYMENT SUBSIDIES

- The SBA loan payment subsidy will be implemented. Please see page two of this pdf for details on eligibility and the timing of the offerings.

## 4. EXPRESS LOAN AUTHORITY FOR ACCREDITED LENDERS – 504 EXPRESS LOAN PROGRAM

- **Expires on September 30, 2023**
- Only qualified ALP-CDCs will be granted authority to approve, authorize, close, and service 504 loans of \$500,000 or less – subject to SBA's review and acceptance of eligibility only (SBA shall not review CDC decisions involving creditworthiness, loan closing, or compliance with legal requirements imposed by law or regulation). Choose your CDC partner wisely.

## 5. 504 DEBT REFINANCE

### • REFINANCING NOT INVOLVING EXPANSIONS

- **Elimination of prohibition on refinancing any government-guaranteed debt**

- Qualified Debt must be at least 6 months old to be eligible for refinance – down from 2 years old
- Elimination of requirement that loan must have been current for not less than 1 year prior to application date
- More creative use of program goals has been reinstated for refi projects. In regards to jobs, all existing jobs may be counted as jobs retained (full time and full-time equivalent jobs allowed)

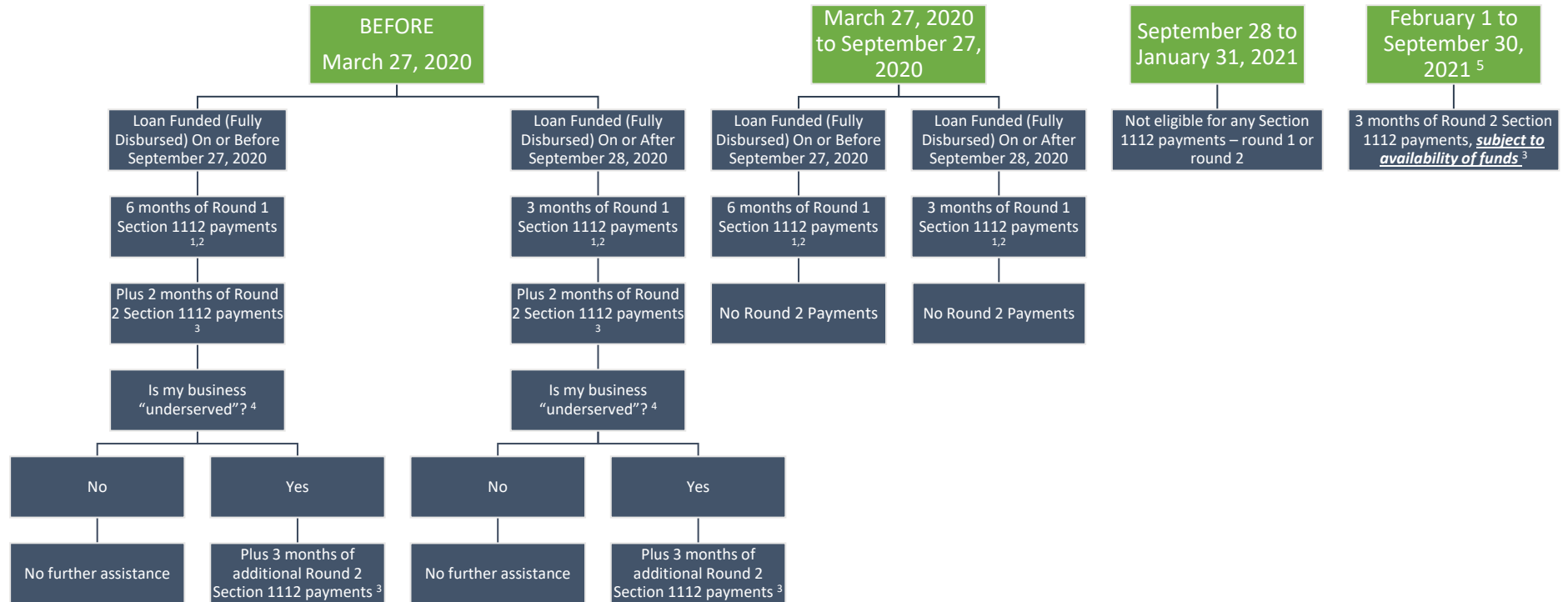
### • DEBT REFINANCE WITH EXPANSION

- Increase in cap on amount of existing debt eligible for refi from 50% of expansion costs to 100% of expansion costs increasing use of 504 loan pricing up to 25% of the project's value

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## CARES Act Section 1112 Payments based on SBA Loan Approval Date SBA “Adjustment Plan” effective February 16, 2021 <sup>8</sup>



### NOTES

1. Round 1 Section 1112 payments must be completed before Round 2 payments can begin
2. Round 1 Section 1112 payments are not capped per month
3. Round 2 Section 1112 payments cannot exceed \$9,000 per month – borrower must pay excess amount or contact CDC/Lender if unable to pay
4. “Underserved” – all community advantage (CA) loans; all microloans; and targeted 7(a) and 504 loans to businesses assigned a North American Industry Classification System (NAICS) code beginning with 61, 71, 72, 213, 315, 448, 451, 481, 485, 487, 511, 512, 515, 532, or 812
5. Businesses that have received (or will receive) debt relief on any other 7(a) loan, 504 loan, or Microloan that was approved March 27, 2020 through September 27, 2020 **are not eligible** for Section 1112 payment assistance on any new loan approved February 1 to September 30, 2021
6. All Section 1112 payments begin with the next payment due on or after February 1, 2021 or beginning with the next payment due after any deferment period granted
7. Please refer to NADCO Technical Issues Memo 13-21 and SBA Procedural Notice 5000-20079 and NADCO Technical Issues Memo 1-21 and SBA Procedural Notice 5000-20095 for complete details
8. Reduced number of months of Section 1112 payments (“Adjustment Plan”) effective beginning with payments made in February 2021.