

U.S. Small Business Administration (“SBA”) Loan Options Pursuant to The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and Legislation			
	Traditional SBA 7(a) Loan Program	Economic Injury Disaster Loan (EDIL) Under SBA Section 7(b) Program	CARES Act Payment Protection Act under SBA Section 7(a) loan Program
Limits and Payment Terms	<p>Limits for 7(a) guaranteed loans (most common SBA loan which has been expanded under the proposed CARES Act):</p> <ul style="list-style-type: none"> • Maximum: Up to \$5 million (average about \$425,000) • Term: Working capital loans generally up to 7 years. Real estate or construction loans may be for up to 25 years. Other SBA loans are generally for 10 years. • Type of loan: Provided by SBA-approved lender. <p>In addition to the above, there is the SBA Express Loan Program (maximum \$350 thousand), Patriot Express Loans (for veterans and members of the military community), SBA Microloan Program (loans from \$500 to \$50 thousand), Export Working Capital loans (90% SBA guaranty for a loan up to \$4.5 million), and CAPlines (requires holders of 20% ownership interest to guarantee the loan).</p>	<p>Up to \$2 million</p> <p>Term: Up to 30 years with 3.75 interest (qualified businesses) and 2.75 (non-profit)</p> <p>Type of loan: Direct and indirect loans</p> <p>Assists qualified businesses affected by COVID-19 to meet working capital needs or normal business operating expenses through the recovery period.</p> <p>Special Note-The CARES Act created an EIDL Emergency Grant that provides that an eligible entity that applied for an EIDL loan can request an advance “emergency grant”, not to exceed \$10 thousand within 3 days after SBA receives the application. If the grant is used for eligible expenses (including not limited to paid sick leave, maintaining payroll, mortgage/rent, supply chain costs) no payback necessary.</p>	<p>The lesser of \$10 million and 2.5 times the average monthly payroll costs for the one-year period before the loan is made for the applicable borrower.</p> <p>Maximum for SBA Express loans: up to \$1 million through December 31, 2020, and up to \$350 thousand after December 31, 2020</p> <p>Term: The maximum maturity date is 10 years at not to exceed 4% interest rate. The CARES Act allows for complete payment deferment relief for these loans for between 6 months to 1 year.</p> <p>Type of loan: Authority to approve delegated to pre-approved existing SBA lenders.</p>
General Eligibility Requirements for SBA Loans	<p>The borrower must be a small business or a private non-profit organization.</p> <p>The SBA applies general principles of affiliation to determine whether a concern qualifies as small. This is a highly specific analysis pursuant to 13 CFR 121.103 and 121.301. Applicants should be familiar with their primary NAICS Code, and have, at a minimum, the following documents available to complete an analysis:</p> <ul style="list-style-type: none"> • Employee count inclusive of full time, part time and other 		

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	<ul style="list-style-type: none"> • Business tax returns (previous three years) • Ownership structure • Originating corporate documents <p>To determine the size of the borrower, the SBA generally counts the annual receipts or employees of affiliates under an applicant’s NAICS code (i.e., if the SBA determines that the portfolio companies of a particular sponsor are affiliates, the annual receipts/employees of each of the sponsor’s portfolio companies will be aggregated). The SBA looks at whether an entity is controlled by (through ownership, management, or another relationship) another entity to determine if affiliation exists. We note the CARES Act waives these affiliation rules for businesses under NAICS 72 (accommodation and food service) and business concerns with under 500 employees that would otherwise be large based on revenue.</p> <p>(See the SBA website for more information on what is considered a small business and see Requirements Section below regarding the different treatment under the CARES Act).</p> <p>2. The borrower’s affiliates and principal owners (i.e. persons who own 20% or more of its ownership interests) have used all reasonably available funds and the borrower is unable to obtain credit elsewhere on reasonable terms.</p> <p>3. To determine an applicant’s receipts or number of employees, each applicant can generally expect that it must aggregate all employees on an affiliate basis, including subsidiaries and, in the context of private equity-backed and venture capital-backed businesses, portfolio companies.</p>		
	<p align="center">Traditional SBA 7(a) Loan Program</p>	<p align="center">Economic Injury Disaster Loan (EDIL) Pursuant to SBA’s Section 7(b) Program</p>	<p align="center">Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) pursuant to SBA’s Section 7(a) loan Program</p>
<p>Eligibility Requirements for Specific SBA Loans</p>	<p>The following are not eligible for a SBA loan:</p> <ul style="list-style-type: none"> • a loan to pay off inadequately secured creditors; • a loan for businesses engaged in speculation, lending, investment, or rental real estate; and 	<p>The requirements for getting a loan include submitting the following documents:</p> <ul style="list-style-type: none"> • the application (SBA Form 5 or 5C); • tax information authorization (IRS Form 4506 T), completed and signed by each applicant, each principal owning 20 percent or more of the applicant business, each general partner or 	<p>The CARES Act waives the requirement that credit be available elsewhere.</p> <p>The CARES Act provides for a LIMITED expansion on what type of business is considered a small business for purposes of obtaining a 7(a) loan. Accordingly, the following businesses could also be considered a small business:</p>

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	<ul style="list-style-type: none"> • nonprofit enterprises (except employee stock ownership programs). <p>SBA Form 1919 and SBA Form 1920 must be provided as part of the application along with a number of other documents.</p>	<ul style="list-style-type: none"> • managing member; and, for any owner who has greater than 50 percent ownership in an affiliate business; • complete copies of federal income tax returns for the applicant business; • personal financial statements (SBA Form 413D) completed by the applicant, each principal owning 20% or more of the applicant’s business, and each general partner or managing member; a schedule of liabilities listing all fixed debts (SBA Form 2202 may be used); and • a fee disclosure (SBA Form 159D), if applicable. <p>You may download the forms from the SBA website.</p> <p>The SBA may request additional information.</p>	<ul style="list-style-type: none"> • Individuals operating as a sole proprietorship, as independent contractors or eligible self-employed individuals; and • Certain accommodation and food service businesses that (i) have a NAICS Code under Sector 72 (“72 Businesses”) and (ii) do not employ more than 500 employees per physical location. <p>The affiliation rules (discussed above in the Eligibility Section) are also waived for the following: (i) 72 Businesses with less than 500 employees; (ii) businesses operating as a franchise (must have an assigned franchise identifier code); and (iii) any business that receives assistance from a Small Business Investment Company investor.</p> <p>Expands allowable uses of 7(a) loans to include payroll support, such as paid sick or medial leave, employee salaries, mortgage payments, rent, utilities, and interest on any debt obligations incurred prior to the covered period.</p>
Interest Rates (actual rates may vary)	Rates depend on loan amount and maturity (ranging from prime + 2.25% to prime + 2.75%).	3.75% for profit and 2.75% non-profit	Interest rates will be under 4%
Collateral	SBA expects all available company assets to be offered as collateral. If such collateral is insufficient, liens on personal assets may be required.	Collateral is required for loans over \$25 thousand.	No personal guaranty and no collateral are required for the covered loans

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Guaranty	SBA guarantees up to 85% for loans equal to or less than \$150 thousand and 75% for loans exceeding \$150 thousand	SBA guarantees up to 85% for loans	Proposed CARES Act would increase the SBA guarantee to 100% through December 31, 2020
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Other Key Terms	There are additional fees for these loans, including a fee from the SBA for its guaranty and general fees for the lender depending on the maturity date.	In order to apply for a loan, first an Economic Injury Disaster Loan assistance declaration must be made covering the applicable state. To date, every state, the District of Columbia, and all U.S. territories have declared such due to COVID-19.	The proposed CARES ACT provides a process by which borrowers who receive this loan could be eligible for loan forgiveness in an amount equal to the payroll cost, any payment of interest on certain mortgage obligations, certain rent obligations, and certain utility payments for the 8-week period following the date of the loan. The amount of the loan eligible for forgiveness will be reduced proportionally by the number of employees laid off during this period relative to the borrower’s prior employment levels.
Application link	Find a lender offering standard SBA.	Apply for a SBA disaster loan.	Pending: Congress has mandated the SBA produce implementing regulations within 15 days of passage

**For additional information, please see [more resources on the SBA website.](#)*