



March 23, 2020

Pandemic Loan Options



SBA Economic Injury Disaster Loans



- The SBA is offering federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus.
- Governor Lee has requested all counties in TN be eligible for these loans and approval was received on March 20th.
- These loans are available to small businesses, small agricultural cooperatives, small aquaculture businesses and most private non-profit organizations

Criteria for Loan Approval



Credit History-Applicant must have a credit history acceptable to SBA.

Repayment-SBA must determine that the applicant business has the ability to repay the SBA loan.

Eligibility-The applicant business must be physically located in a declared county and suffered working capital losses due to the declared disaster, not due to a downturn in the economy or other reasons.

Economic Injury Loan Program Specifics



- Eligible entities may qualify for loans up to \$2 million
- The interest rates for this disaster are 3.75% for small businesses and 2.75% for nonprofit organizations with terms up to 30 years.
- Eligibility for these working capital loans are based on the size (must be a small business) and type of business and its financial resources.
- These loans may be used to pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred. The loans are not intended to replace lost sales or profits or for expansion.
- Loans over \$25,000 require collateral.
- SBA takes real estate as collateral when it is available.
- SBA will not decline a loan for lack of collateral, but require borrowers to pledge what is available.
- Must have a physical presence in the declared disaster area.

How EIDLs are Different from other SBA Loans

- SBA's Economic Injury Disaster Loan (EIDLs) funds come directly from the U.S. Treasury.
- Applicants do not go through a bank to apply. Instead apply directly to SBA's Disaster Assistance Program at: DisasterLoan.sba.gov
- There is no cost to apply
- There is no obligation to take the loan if offered
- If you take an EIDL then you are not eligible for additional economic SBA loans that might be offered through the bank for the same disaster.
- The maximum unsecured loan amount is \$25,000
- Applicants can have an existing SBA Disaster Loan and still qualify for an EIDL for this disaster, but the loans cannot be consolidated.

Basic Filing Requirements

- Completed SBA loan application (SBA Form 5 or 5C).
- Tax Information Authorization (IRS Form 4506-T) for the applicant, principals and affiliates.
- Complete copies of the most recent Federal Income Tax Returns.
- Schedule of Liabilities (SBA Forms 2202).
- Personal Financial Statement (SBA Form 413).
- Other information might be requested.
 - *Paper applications are acceptable, but filing electronically is easier, faster and more accurate.*

CARES ACT (*Coronavirus Aid, Relief and Economic Security Act*)

- Last week the Congressional Small Business Task Force unveiled a \$300B Emergency Coronavirus Relief Package as part of the Keeping Workers Paid and Employed Act, Division A of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act)
- The Senate failed to move forward with 'Phase 3' \$1.4 Trillion Dollar stimulus package on Sunday. This bill will go for a re vote on Monday.
- While it is still unclear where final language will land as the Senate continues their negotiations, the lending community has teamed up to write a coalition letter to Senate and House Leadership urging Congress to include provisions in the CARES Act that would enhance and incentivize the 7(a) loan program.

Details of the Keeping Workers Paid and Employed Act

- **\$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)

Cont. Details of the Keeping Workers Paid and Employed Act

- 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

Pinnacle's Role



This Legislation has not yet been passed by Congress, but we believe that most of these provisions will be in the final legislation and on its way to the president's desk soon. We expect it to be signed in to law within the next few days.

We will update you with all the new information that is likely to come in the following days. We will continue to help shape the rollout of the new rules and regulations of this unprecedented legislation.

The Pinnacle SBA Team is the top SBA Lender in the State with dedicated SBA Bankers in Memphis, Nashville, Knoxville and Chattanooga. Each Pinnacle SBA Banker has 10 plus years of SBA lending experience. We are deeply honored to be a participating SBA lender during this critical time and look forward to being on the frontlines in this massive effort to save America's small to mid-sized businesses.

We are processing loans in a first-come, first-serve order. The sooner we receive your submission the quicker we'll be able to process your loan. For SBA Specific questions please reach out to Lane Rhodes at Lane.Rhodes@PNFP.com or 615-969-2848.