



ECONOMIC
DEVELOPMENT
FOUNDATION
SBA - 504 LOANS

As many of you are aware, Economic Development Foundation (**EDF**) is a non-profit Certified Development Company of the SBA serving businesses and banks throughout the State of Michigan by offering SBA 504 Loans. In an effort to keep you updated on the availability of the loans and other relief in response to the COVID-19 crisis, we want to provide this update and summary of the CARES Act.

The CARES Act has been signed into law, and the Senate Small Business Committee recently released a detailed guide on the CARES Act's benefits to small businesses that are included in the legislation. So, what's in it and what's next? The below information will provide some guidance.

What's In It?

The CARES Act includes the following provisions impacting SBA lenders:

- Allocates \$17 billion to cover all existing SBA 504 and 7(a) borrowers' payments for the next six (6) months. Yes, you read that right, every existing SBA borrowers' payment will be paid for them for the next six (6) months. This is **loan forgiveness** and will be enacted by SBA automatically. Further, a provision within the Act states if a borrower is already on deferment, the Act's debt forgiveness payments will activate at the end of the deferment period. If you are an existing **EDF** customer, please see more details below.
- Additionally, 504 and 7(a) loans approved, closed, and funded within the next six (6) months, will also have their principal, interest and fees paid by the SBA for six (6) months, starting with their first payment.
- Expands the maximum loan size for the 7(a) Express Loan Program from \$350,000 to \$1,000,000.
- Allocates \$325 billion for the Payroll Protection Program (PPP), a special 100% guaranteed 7(a) program that includes a debt forgiveness provision.

Rather than trying to summarize what's in the bill, we wanted to pass along the following resources that were released that we have found very useful. There are still many more questions than answers, but they provide great overviews of what will be made available over the coming weeks.

[The Small Business Owner's Guide to the CARES Act](#)

[Small Business Provisions in CARES Act](#)

[U.S. Chamber of Commerce's Guide and Checklist on the Payroll Protection Program](#)

What's Next?

Even before the CARES Act was signed into law on Friday, small businesses throughout the country started calling their bankers, accountants, and lenders like **EDF**. Everyone wants to know when they can apply for the Payroll Protection Program. The answer is, you can't apply for a loan program that does not yet exist. However, you will probably be able to apply over the course of the next few weeks.

The Bill gives the SBA 30 days to amend and write the regulations and policies regarding the new programs. There is no doubt, based on the details in the guide released by the Senate yesterday, and the authority Congress has granted SBA to streamline and bypass normal procedures, that this will be rolled out much faster than normal due to the urgency. As the SBA writes regulations and policy over the next few weeks, more questions will be answered both for banks who want to participate, and business owners who want to apply. The guides linked above shed light on the process.

As of now, other than SBA's regular 504 and 7(a) program, the loan program launched so far in response to COVID-19 is the Economic Injury Disaster Loan (EIDL). Remember, businesses can apply right now for Disaster Loans up to \$2,000,000 with 3.75% rates fixed for 30 years, directly from SBA. To apply for an EIDL loan, please click on the link below.

[Economic Injury Disaster Loan \(EIDL\)](#)

How the 504 Program Can Help!

The Disaster Loans or the Payroll Protection Program (PPP) can only refinance debt that is short term and has been taken since the crisis started. Therefore, businesses need to be reminded that they can refinance their existing commercial mortgage or loans related to equipment **AND** get cash out for eligible business expenses (up to 20% of the appraised value) they have payable over the next 18 months using the 504 Loan Program.

The rates on the 504 program, offered by **EDF**, have been at historical lows. For the month of March, they were at 2.88% fixed for 25 years. Further, as a result of this new legislation, loans made today, and within the next six (6) months, will have their principal, interest, and fees paid by SBA for six (6) months as well. For more information, please call our office at (616) 459-4825.

Payment Forgiveness For Our Existing and New Customers

As mentioned above, the CARES Act include \$17 billion in loan payment forgiveness for SBA borrowers, including all existing loans in EDF's portfolio. Over the course of this week, as we get the specifics from SBA on how the payment forgiveness will work, we will be reaching out to all our borrowers to let them know the details on this benefit to their business. Additionally, many of our borrowers have been working with our staff on deferments. We will be reaching out to those customers as well to determine how to proceed given the recent changes due to the CARES Act.

For our lending partners, our closing team will be reaching out to all of our existing projects that have been approved by SBA, but have not yet funded, to give them an outline on when projects would need to close and fund in order for our borrower to benefit from the CARES Act six (6) month loan forgiveness. Additionally, we have three (3) Loan Officers that cover the entire State of Michigan that are available to help with any new projects. Similar to closing existing loans, if you have a project that involves the purchase of real estate, equipment, minor improvements, or the refinance of existing debt, it will be beneficial to work with our team early on so we can ensure the borrowers can benefit from the CARES Act loan forgiveness as well.

In the meantime, please feel free to distribute this information to all your contacts inside your organization and out to those businesses you think could benefit from the information.

Sincerely,

Julie Parker
President
Economic Development Foundation