

SBA 7(a) Loan Program and SBA Disaster Assistance Loans Comparison

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The information in this chart is subject to change as the CARES Act is finalized. Additionally, the SBA will be adopting regulations in the next two weeks providing greater details.

Name of the Program	SBA Disaster Assistance Loans	SBA 7(a) Loans
Time Frame	January 31, 2020 - December 31, 2020 (Covered Period)	February 15, 2020 - June 30, 2021 (Covered Period)
Eligibility	<p>Small businesses, small agricultural cooperatives, private nonprofit organizations, and entities considered small for the industry in which they operate. Confirm your size here.</p> <p>Must have suffered substantial economic injury (business is unable to meet its obligations and to pay its ordinary and necessary operating expenses) and be located in a declared disaster area. <i>The entire country has been declared a disaster area for COVID-19.</i></p> <p>SBA to approve loans based solely on an applicant's credit score without requiring a tax return, or to use alternative methods to determine an applicant's ability to repay.</p>	<p>Any business, nonprofit organization, veterans' organization, or Tribal business, which employs not more than 500 employees, unless the covered industry's SBA size standard allows more than 500 employees.</p>
Affiliation	<p>The eligibility test is subject to aggregation with affiliates, which should be considered carefully. The SBA affiliation test is complicated, but generally includes aggregation of investors who have certain controls features over the subject company.</p> <p>Exceptions:</p> <ol style="list-style-type: none"> 1. Businesses owned in substantial part by SBICs are not considered affiliates of the SBIC; 2. Businesses owned by the Native American tribes are not considered affiliates of the Native American tribes; and 3. Businesses who lease employees from employee leases entities are not affiliated with the leasing entity. <i>There are other less common exceptions.</i> 	<p>The eligibility test is subject to aggregation with affiliates, which should be considered carefully. The SBA affiliation test is complicated, but generally includes aggregation of investors who have certain controls features over the subject company.</p> <p>During the covered period, the affiliation test does not apply to:</p> <ol style="list-style-type: none"> 1. Any business with not more than 500 employees that, as of the date on which the covered loan is disbursed, is assigned a NAICS code beginning with 72; 2. Any business operating as a franchise that is assigned a franchise identifier code by the SBA; and 3. Any business concern that receives financial assistance from a licensed SBIC.

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<p>Amount of Funds</p>	<p>Up to \$2 million; used to help meet financial obligations and operating expenses that could have been met had the disaster not occurred.</p> <p>Loan amount will be based on actual economic injury and company's financial needs.</p>	<p>Loan amount shall be the lesser of —</p> <ol style="list-style-type: none"> 1. \$10,000,000 2. The sum of: <ol style="list-style-type: none"> a. The product obtained by multiplying — <ol style="list-style-type: none"> i. The average total monthly payments by the applicant for payroll, mortgage payments, rent payments, and payments on any other debt obligations incurred during the 1-year period before the date on which the loan is made (except in the case of an applicant that is seasonal employer), by 2.5; and ii. The outstanding amount of a loan under the SBA Disaster Loan Assistance Program made during the period beginning on January 31, 2020 and ending on the date on which covered loans are made available to be refinanced under the covered; 3. If requested by an otherwise eligible recipient that was not in business during the period beginning on February 15, 2019 and ending on June 30, 2019, the sum of — <ol style="list-style-type: none"> a. The product obtained by multiplying — <ol style="list-style-type: none"> i. The average total monthly payments by the applicant for payroll costs incurred during the period beginning on January 1, 2020 and ending on February 29, 2020 by 2.5; and ii. The outstanding amount of a loan under the SBA Disaster Loan Assistance Program made during the period beginning on January 31, 2020 and ending on the date on which covered loans are made available to be refinanced under the covered.

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<p>Terms of Loan</p>	<p>Interest rate not to exceed 4%.</p> <p>Repayment term not to exceed 30 years; determined by ability to repay the loan.</p> <p>Applicant is allowed to request an advance, separate from the loan, in an amount not to exceed \$10,000 within three days after SBA receives an application. An advance may be used to maintain payroll, provide sick leave related to COVID-19, and meet costs due to interrupted supply chains, among other provisions.</p> <p>An applicant shall not be required to repay any amounts of an advance provided, even if subsequently denied a loan.</p> <p>Advance amount must be considered when determining certain loan forgiveness if the applicant transfers into a 7(a) loan program.</p>	<p>Interest rate not to exceed 4%.</p> <p>Repayment term not to exceed 30 years; determined by ability to repay the loan.</p> <p>Recipients are eligible for forgiveness of a portion of the loan in an amount equal to the sum of payroll costs, interest payments on mortgage obligations, payments on covered rent obligations, and any covered utility payments, but not to exceed the principal amount. The amount of loan forgiveness will be reduced in accordance with any reduction in the number of employees or employee salaries during the covered period.</p> <p>Following loan forgiveness, the remaining loan balance will be federally guaranteed. The remaining loan balance will have a maximum maturity of 10 years from the date the borrower applies for loan forgiveness.</p> <p>Complete payment deferment relief for a period of not less than 6 months, but not to exceed 1 year.</p>
<p>Application Requirements</p>	<ol style="list-style-type: none"> 1. Personal Financial Statements 2. Business Financial Statements 3. Personal and Business Tax Returns 	<ol style="list-style-type: none"> 1. Personal financial statements 2. Business financial statements 3. Ownership information 4. Business licenses 5. Loan records 6. Personal and business tax returns 7. Personal resumes 8. History of the business
<p>Guarantee</p>	<p>Personal guarantee on advances and loans of not more than \$200,000 are waived during the covered period.</p>	<p>No personal guarantee required.</p>
<p>Preclusion</p>	<p>During the covered period, the requirement that a small business concern is unable to obtain credit elsewhere shall not apply to a covered loan.</p>	<p>An eligible recipient that has received an SBA disaster loan from January 31, 2020 and ending on the date on which the 7(a) loans are made available for a purpose other than the purposes covered by the 7(a) loans is not precluded from receiving a 7(a).</p> <p>Otherwise, during the covered period, the requirement that a business is unable to obtain credit elsewhere shall not apply to a covered loan.</p>