

# Newsletter

## Additional SBA 504 Loan Program Changes under the CARES Act

### SBA 504 Effective Rates for June 2020

25-year - 2.60% / 2.60% Refi ~ 20-year - 2.53% / 2.53% Refi ~ 10-year - 2.65% / 2.65% Refi

The CARES Act was enacted on March 27, 2020 and with it came some changes to all new SBA 504 loans funded April through September 2020. Below are the new requirements and changes:

- **New Loan Deferment:** A 90-day automatic loan payment deferral granted to all new 504 loans funded April through September 2020.
- **Adverse Change:** Upon final funding submission/approval, CDC must advise SBA if the borrower has or has not been adversely impacted by COVID-19. If the borrower has been adversely impacted, a COVID-19 Substantial Adverse Change Remedy Certification and Agreement form must be signed by the Borrower, Lender, and NWBDA.
- **Disaster Loan Impact:** Borrowers who have obtained or applied for a Paycheck Protection Program loan, EIDL or any other disaster related loan will be considered adversely impacted.
- **Third Party Lender Deferment:** Under the COVID-19 Substantial Adverse Change Remedy for any borrower adversely impacted, the Lender is required to defer loan payments for the same number of months that SBA is granting the 504 loan deferral. The Lender must provide documentation to NWBDA to verify their deferral. The deferral for the same number of months must begin in the month following the 504 loan funding to the lender. (If the July, August, and September payments are deferred, the TPL must also defer its July, August, and September, not June, July, and August.)
- **Deferment Period:** Loans funded in April, May, and June 2020 will receive a minimum of 90 day deferment and as long as 6 months. If the borrower requests a deferment of more than 90 days, the CDC will not grant unless the TPL agrees to extend their deferment. Loans funded in July, August, and September 2020 are only eligible for a 90-day deferment. The additional extension to 6 months is not an option.
- **No Adverse Change:** If the borrower has NOT been adversely impacted by COVID-19, the borrower must provide specific supporting documentation and certify that they have not been adversely impacted. NWBDA is required to certify to SBA that we agree there has been no adverse change.

...continued on page 2

**SBA Tip:** For EPCs and OCs owned by Trusts, the Trustor must be identified along with Trustee as the eligibility status of the Trustor will determine trust eligibility. All donors to the trust will be deemed to have Trustor status for eligibility purposes and any beneficiaries who exercise any control over the actions of the trust must also guarantee the loan and so should be identified as well.

...continued from page 1

- **SBA Payments:** Section 1112(c) of the CARES Act states that SBA will pay borrower's regularly payments for 6 months following the deferral period. If no deferral is made, the 1112 payments will begin with their first scheduled payment. SBA will pay the principal, interest, and any associated fees.
- **Catch-up Plans:** Borrower will be required to make catch-up payments to repay the deferred payments. Payments can be amortized over a 5-year period or the borrower may opt to catch-up in a shorter period of time. The minimum catch-up plan is 6 months. Deferred payments cannot be added to the borrower's final payment (at loan's maturity) nor can it be paid in a lump sum at the end of the deferment period.
- **Borrower Payments:** Borrowers cannot make payments to their SBA 504 during the deferment period.

Please contact us if you have any questions or need more information.

**May's Loan Fundings**

NWBDA funded **5** new projects for the total amount of **\$17,099,473.25**

**May's Loan Approvals**

NWBDA approved **7** new projects for the total amount of **\$13,594,746.00**

In the month of May, NWBDA helped **create 29 new jobs** in the local communities

**Business Development Officers**

Eastern Washington/  
Northern Idaho

**Evan Heriot**

eheriot@nwbusiness.org  
(509) 904-5169

Central Washington

**Lisa Vincent**

lvincent@nwbusiness.org  
(509) 469-5040

Western Washington

**Elizabeth Rusnak**

erusnak@nwbusiness.org  
(425) 286-6673

**Mark Beppler**

mbepppler@nwbusiness.org  
(425) 505-3263

Southwestern Washington/  
North Oregon

**Jim Bight**

jbright@nwbusiness.org  
(360) 521-5704

**Mike Miller**

mmiller@nwbusiness.org  
(503) 746-1805

Follow Us on Twitter  
and LinkedIn!



info@nwbusiness.org  
www.nwbusiness.org  
(509) 458-8555  
(800) 540-1748 (Toll Free)

Achieving BIG Dreams for SMALL Businesses