



## FEROX STRATEGIES

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**TO: FEROX CLIENTS**  
**FROM: FEROX STRATEGIES**  
**DATE: MARCH 19, 2020**  
**RE: COVID-19: SMALL BUSINESS RESOURCES**

Economic fallout from COVID-19 has dramatically impacted businesses of all sizes across the U.S. The full impact may worsen as governors and other local leaders impose lockdowns. This has left many small businesses in urgent need of capital and other support. Many Ferox clients have sought information regarding current and potential federal relief for small businesses from the U.S. Small Business Administration (SBA) and other agencies. Below is a survey of current programs and select upcoming legislation.

**NOTE:** *Pending legislation and executive action could reshape the federal programs described below, and Ferox does not intend in the below memo to offer legal or financial advice. Impacted organizations are urged to consult with their CFO, general counsel, and other relevant staff.*

### ***Small Business Administration Economic Injury Disaster Loan (EIDL) Program***

**[ONLINE APPLICATION HERE](#)**. The EIDL is the SBA's flagship program in responding to COVID-19. Under the EIDL, small businesses and eligible non-profits in designated areas may obtain up to \$2 million in low-interest loans directly from the SBA if they can't obtain credit elsewhere to meet financial obligations and operating expenses that could have been met had the disaster not occurred. The loan amount will be based on an organization's actual economic injury and financial needs, regardless of whether the business suffered any property damage. To qualify small businesses must also meet SBA size regulations, which vary according to industry type, average firm size, and start-up costs and entry barriers. EIDL loans are not intended to help grow a business; they are applicable when a firm can't meet its obligations without a loan.

[The SBA told The Dallas Morning News](#) on March 13 that it works to process applications "as quickly as possible" and that loan processing typically takes two to three weeks, with disbursement following within a few days of receiving the signed loan closing documents. [However, critics have noted the EIDL program may soon be strained by a high number of claims, as this CNBC article explores.](#)

Before EIDLs can be offered in each state, the SBA must assess applications from state governments and issue an according declaration for an impacted area. Prospective applicants should consult the [Master SBA disaster declaration list \(updating\) to ensure their state/county is eligible for the EIDL.](#)

Congress recently authorized funding to allow the EIDL to offer about \$7 billion in loans in the first COVID-19 focused supplemental. Pending legislation may further grow the EIDL program:

- Senate Small Business Chairman Marco Rubio (R-FL) and Sen. Susan Collins (R-ME) have teased the Restoring Economic Security, Confidence and User Endurance (RESCUE) Businesses Act: a \$300 billion proposal to offer



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bridge loans to small businesses that could be forgiven after a certain period if the loan is used for payroll, mortgage payments, and other “customary business.” The bill is specific to the COVID-19 crisis, with the proposed bridge loan lasting around 6-8 weeks. The program would be retroactive to March 1 and sunset on June 30, with the option to extend if the economic shock lasts longer. Collins said she expects written details of the new RESCUE bill to debut the morning of March 19, then the bill will be integrated into the forthcoming Senate Republican stimulus package.

- House Small Business Chair Nydia Velazquez (D-NY) [has proposed legislation](#) to grow the EIDL’s lending authority to \$25 billion and make COVID-19-related loans interest-free, among other changes. This bill could be integrated into a stimulus package under development with House Democrats.

### ***Small Business Administration 7(a) Express Bridge, Express, and other loan guarantee***

The 7(a) loan guarantee program is the SBA's primary program for providing financial assistance to small for-profit businesses, and can be used for working capital. Unlike the EIDL, the 7(a) loan is facilitated by banks, rather than directly from SBA, with the SBA backing loans made by banks, credit unions and other lenders. SBA 7(a) loans are for a maximum of \$2 million, with SBA loan guarantee of no more than \$1.5 million (75%). The terms of SBA 7(a) loans are 25 years for real estate and equipment and seven years for working capital. Interest rates are based on the prime rate, the size of the loan, and the maturity of the loan.

[A full description of each of the 7\(a\) loan types can be found here](#), below are some notable to disaster assistance:

- While most 7(a) loans aren’t intended for disasters, one notable exception is the [Express Bridge pilot program](#). The Express Bridge features an accelerated turnaround time for SBA review: a 36-hour review for a \$25,000 seven-year loan with a 50% SBA guarantee. HOWEVER, an important caveat: eligible small businesses may only obtain an Express Bridge loan from a certified lender IF they already banked with the lender at the time of the disaster. The Express Bridge program will also expire on September 30 unless reauthorized by Congress.
- Small businesses may also consider the [SBA 7\(a\) Express](#) (as opposed to the Express Bridge above). The Express is not targeted to disasters but also features an accelerated turnaround time for SBA review: a 36-hour review for a \$350,000 loan, 7 year loan with a 50% guarantee.
- The [Community Assistance pilot program](#) allows mission-based lenders to assist small businesses in underserved markets with a maximum loan size of \$250,000, with guarantee varying on the size of the loan. The turnaround time is about 5-10 days. Notably, the program is designed to expire soon (March 31) and may be extended or further amended by Congress in coming weeks.

Senate Small Business Chairman Marco Rubio (R-FL) has sought to [raise the 7\(a\) program’s funding from \\$30 billion to \\$80 billion in response to COVID-19](#). Rubio’s proposal would also waive fees for the program, provide a 90% loan guarantee for all loans, no matter the size, and increase the loan limit for SBA Express from \$350,000 to \$1 million.



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### ***Small Business Administration Microloans***

SBA's Microloan program is offered through community-based lenders (Microlender Intermediaries) which, in turn, make loans to eligible borrowers in amounts starting at \$5000 up to a maximum of \$50,000. The average loan size is about \$14,000. The interest rates for SBA Microloans vary from 6.5% to 13%, with a maximum repayment period of six years. Applications are submitted to the local intermediary and all credit decisions are made on the local level, so there is a great deal of variation in exact requirements, terms, and geographic availability. Microloan intermediaries can be found on the [SBA's Lender Match Tool](#).

### ***What about FEMA?***

The Federal Emergency Management Agency (FEMA) does not offer financial assistance to businesses or farms in presidentially-declared disasters. [FEMA redirects businesses affected by disasters to the business loans from the SBA described above](#). Further, because COVID-19 is not a physical disaster, FEMA's announced role is to support the Department of Health and Human Services (HHS) response.

### ***State, local, private sector assistance***

Though outside of the scope of this memo, several states and even local governments offer aid to coronavirus-impacted small businesses. In California, for example, the [Infrastructure and Economic Development Bank \(IBANK\)](#) offers the:

- Disaster Relief Loan Guarantee Program: loan guarantees up to 95% for small business borrowers who were impacted by disasters or public safety power shutoffs and who need term loans or lines of credit for working capital.
- Jump Start Loan Program: loans from \$500 to \$10,000 to low-wealth entrepreneurs in declared disaster and emergency areas.

Still other resources may lie in private non-profit organizations. San Antonio, [Texas-headquartered LiftFund](#), for example, is a private charitable organization offering small business loans ranging from \$500 to \$1 million, with operations across the Southeast.