

Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Additional Relief for SBA Borrowers: Standard 7(a), 504 and Microloans

NATO has provided guidance to exhibitors on the new loan programs under the SBA. Those resources can be found at our coronavirus resource page: <https://www.natoonline.org/blog/news/coronavirus-resources-for-exhibitors/>. The information is updated regularly.

Aside from the new loan vehicles, the CARES Act also includes \$17 billion to provide immediate relief to small businesses through standard SBA 7(a), 504, or microloans. Under this provision, **SBA will cover all loan payments for existing SBA borrowers, including principal, interest, and fees, for six months.** This relief will also be available to new borrowers who take out an SBA loan within six months after March 27, 2020. This process should occur automatically for borrowers with eligible loans, but check with your lender to ensure your loan is included.

As a note, these are not the fully-guaranteed loans from the CARES Act. You will have to work with a lender to see if these loans are right for your company.

An overview of the eligible loan programs is below. The SBA page on [additional debt relief](#) also has general information on this program. **This summary is not exhaustive. Exhibitors are encouraged to consult with counsel about specific state laws and how they apply.**

1. 7(a) Loans

A 7(a) loan is a loan that is partially guaranteed by the SBA. Most 7(a) loans have a maximum loan amount of \$5 million. However, SBA Express loans have a maximum loan amount of \$350,000.

The interest rate varies depending on the amount of the loan and the term, but are subject to SBA maximums, which are pegged to the prime rate, the LIBOR rate, or an optional peg rate. For variable rate loans interest varies from base rate + 2.25 percent - 4.75 percent. For fixed rate loans the interest varies from base rate + 5 percent - 6 percent (plus 1-2 percent basis points). Prepayment penalties apply.

The term can vary but is subject to maximums based on the subject of the loan. The maximum maturities for SBA loans are as follows: 25 years for real estate; 10 years for equipment; and 10 years for working capital or inventory loans.

Visit [the SBA 7\(a\) page](#) for a more comprehensive overview of the 7(a) loans.

2. 504 Loans

The 504 Loan Program provides approved small businesses with long-term, fixed-rate financing used to acquire fixed assets for expansion or modernization. 504 loans are made available through Certified Development Companies (CDCs), SBA's community based partners for providing 504 Loans. Proceeds from 504 Loans are only available to pay for fixed assets (and certain soft costs), including:

- The purchase of existing buildings;
- The purchase of land and land improvements, including grading, street improvements, utilities, parking lots and landscaping;
- The construction of new facilities or modernizing, renovating or converting existing facilities;
- The purchase of long-term machinery (in some cases) ; or
- The refinancing of debt in connection with an expansion of the business through new or renovated facilities or equipment (in some cases).

The 504 Program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing (except in very limited circumstances).

In order to be eligible for the 504 Program, a business must be operated for profit and fall within the size standards set by the SBA. Under the 504 Program, a business qualifies if it has a tangible net worth not more than \$15 million, and an average net income of \$5 million or less after federal income taxes for the preceding two years prior to application.

Generally, the project assets being financed are used as collateral. Personal guaranties from owners of 20 percent or more are also required.

Interest rates on 504 Loans are correlated with the current market rate for 5-year and 10-year U.S. Treasury issues. Loan maturities of 10 and 20 years are available. Fees may be financed with the loan.

More information on the 504 Program is available [here](#).

3. Microloans

The Microloan program offers up to \$50,000 to businesses looking to start up or expand their operations. The funds can be used for working capital, inventory or supplies, furniture or fixtures and machinery or equipment. The funds cannot be used to pay preexisting debt or to purchase real estate.

Terms for these loans vary depending on a number of factors. The maximum repayment period is 6 years and the interest rate is generally between 8 and 13 percent.

The SBA Microloan page can be found [here](#).

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