

PESA GUIDANCE FOR SMALL BUSINESS ADMINISTRATION'S 7(A) PROGRAM

On March 27, President Trump signed the \$2.2 trillion CARES Act, passed by the House of Representatives and Senate. This package provides \$349 billion for the Small Business Administration (SBA) for stabilization loans to small businesses affected by COVID-19 related reductions or complete shutdowns.

1

Which Companies Are Eligible for SBA Loans?

Small business owners (companies with fewer than 500 employees) in all U.S. states and territories are currently eligible to apply for a low-interest loan due to coronavirus (COVID-19).

2

How Does A Company Apply For The Loan?

SBA Loans are distributed through the existing SBA's 7(a) Program. Borrowers will need to apply through banks, credit unions and other lenders. There are 1,800 private lenders already approved to issue 7(a) loans. The U.S. Department of the Treasury will issue new regulations allowing most FDIC-insured banks to also [issue 7\(a\) loans](#).

Applicants must assert that:

- Loan is necessary due to economic hardship brought on by COVID-19
- Must maintain employees on date of loan
- Loans may be forgiven if employees retained throughout crisis. If employees reduced or have pay cuts, this amount will come out of any potential forgiveness.

3

7(a) Loan Details

The CARES Act raises the maximum loan to \$10 million with a maximum interest rate of 4%. Lenders will determine the proper amount taking businesses' previous payroll expenses. Borrowers can defer payments for six months to a year.

4

Economic Injury Disaster Loans

SBA has a [disaster loan program](#), which small businesses are eligible to apply for. The Economic Injury Disaster Loans (EIDL) must be used for fixed debts, payroll, accounts payable and other bills affected by the disaster. EIDLs are up to \$2 million and no payments for the first 12 months and carry a 3.75% interest rate. The criteria includes: acceptable credit history, ability to repay the loan and be located in declared state and suffered losses due to declared disaster.

5

Paycheck Protection Program

SBA's [Paycheck Protection Program](#) authorizes up to \$349 billion toward job retention and certain other expenses. Lenders may begin processing loan applications as soon as April 3, 2020 through any SBA 7(a) lender. The Paycheck Protection Program will be available through June 30, 2020. Additional details for borrowers can be found [here](#) along with the [final borrower application form](#).

6

How Can Companies Contact SBA?

Companies can contact SBA through various [district offices](#) or [regional offices](#). Additional resources, such as guidance on cash flow management, strategic planning and more are offered through:

- The [Texas Gulf Coast Small Business Development Centers](#) (SBDC)
- [SCORE Mentors](#)
- The [WBEA Women's Business Center \(WBC\)](#)