

BROKERING THROUGH THE COVID-19 PANDEMIC:



2021 CRITICAL SBA LENDING UPDATES

How brokers can benefit from the Consolidated Appropriations Act of 2021 (aka CARES ACT II)

January

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About your presenter

Steve Mariani has focused solely on acquisition lending, personally closing over \$1 billion in SBA transactions since establishing Diamond Financial Services in 1996, almost 25 years ago. Specializing in larger goodwill transactions and utilizing the most aggressive national lenders, Diamond Financial has become the largest privately-owned SBA loan provider in the nation. Self-employed since 1983, Steve is uniquely qualified to represent the small businesses of the United States.



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RULES COMMITTEE PRINT 116–68

TEXT OF THE HOUSE AMENDMENT TO THE SENATE AMENDMENT TO H.R. 133

[Showing the text of the Consolidated Appropriations Act, 2021]

In lieu of the matter proposed to be inserted by the Senate, insert the following:

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the “Consolidated Appropriations Act, 2021”.

4 SEC. 2. TABLE OF CONTENTS.

Sec. 1. Short title.

Sec. 2. Table of contents.

Sec. 3. References.

Sec. 4. Explanatory statement.

Sec. 5. Statement of appropriations.

Sec. 6. Availability of funds.

Sec. 7. Adjustments to compensation.

Sec. 8. Definition.

Sec. 9. Office of Management and Budget Reporting Requirement.

DIVISION A—AGRICULTURE, RURAL DEVELOPMENT, FOOD AND

DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONSACT, 2021



Today we'll cover the following important updates and their effects on the broker industry. We'll cover:

- Closing loans that include a P.P.P. loan, along with the newest updates to the program.
- Economic Injury & Disaster Loan program updates.
- 7(a), 504, and Express program changes.
- Our list of industries targeted and financed in today's environment.
- What **you** can do today to build your business!

P.P.P. Loans & Acquisition Closing Today

- Has the seller applied for forgiveness? Have they received forgiveness?
- Seller must set up an escrow account equal to the P.P.P. loan amount. Possibly with seller proceeds used from the closing.
- P.P.P. lender must have control of escrow account. Account **can** be held elsewhere.
- We do not expect lenders to be consumed by P.P.P. like they were during Round 1.

Securing Additional P.P.P. Funds Through March 31, 2021

- First time applicants can apply with no revenue drop requirements.
- Application deadline is March 31, 2021.
- Applicant must have used all prior P.P.P. funds.
- Must provide proof of 25% or more drop in revenue in any 2020 quarter compared to 2019 for Round 2.
- Employee retention remains for forgiveness.
- Maximum loan amount of \$2,000,000.

Securing Additional P.P.P. Funds Through March 31, 2021

- Simplified forgiveness application for loans below \$150,000.
- Expanded covered expenses may now include:
 - Supplier costs
 - Operational expenditures
 - Employee protection activities
 - Property damage costs (during 2020)
 - Specific group insurance

Economic Injury & Disaster Loan Updates

- Re-funded EIDL grant program (\$20 billion).
- Priority to **LOW INCOME** areas.
- If you received <\$10,000 grant, you could reapply for the balance.
 - Example: Received \$2,000 grant. Now eligible for an additional \$8,000
- Qualify if revenue dropped more than 30%.
- EIDL grant **NOT INCLUDED** in P.P.P. forgiveness.
- Additional funding for new loans extended to December 31, 2021.

Controversial Verbiage Referencing SBA Payments (page 2153)

IN GENERAL. — Subject to the other provisions of this section, the Administrator shall pay the principal, interest, and any associated fees that are owed on a covered loan in a regular servicing status, without regard to the date on which the covered loan is fully disbursed, and subject to availability of funds, as follows:

“(A) With respect to a covered loan made before the date of enactment of this Act and not on deferment, the Administrator shall make those payments as follows: “(i) The Administrator shall make those payments for the 6-month period beginning with the next payment due on the covered loan.

“(C) With respect to a covered loan made during the period beginning on the date of enactment of this Act and ending on the date that is 6 months after such date of enactment, for the 6-month period beginning with the first payment due on the covered loan.

UPDATE: (1/6) Only for loans APPROVED after February 1, 2021. Loans approved before receive no payments. We encourage everyone to contact their Congressional Representative and Senator to amend the text of the bill to include those borrowers.

UPDATE: (2/18) SBA has reduced the number of payments for all loans. Loans approved between 2/1/21 and 9/30/21 will received 3 months of payments (down from 6).

SBA Lending & Debt Relief Updates for 7(a), 504, and Express Lines of Credit (contingent upon availability of funds)

- All SBA fees are waived until September 30, 2021.
- Buyers will receive ~~six~~ **three** months of payments from the SBA on loans approved after February 1, 2021.
 - Maximum of \$9,000/mo.
- Current borrowers may now receive up to one year of payment deferment with justification (Previously six months).
- Borrowers that already received six payments will receive an additional ~~three~~ **two** payments. Hard hit sectors will receive more.
- SBA Express LOC has temporarily increased to \$1,000,000 through September 30, 2021. Will permanently remain at \$500,000 thereafter. (Previous limit was \$350,000)
- Lender's SBA guaranty increases to 90% (from 75%), but maximum loan amounts that will receive a 90% guaranty is \$4,166,000.

SBA Lending & Debt Relief Updates for “Hard Hit” Sectors (contingent upon availability of funds)

Certain borrowers in “hard hit” sectors will received an additional ~~five~~ **three** months of payments.

Sectors include (NAICS):

- 61- Educational Services
- 71 – Arts, Entertainment, and Recreation
- 72 – Accommodation and Food Services
- 213 – Support Activities for Mining
- 315 – Apparel Manufacturing
- 448 – Retail Stores
- 451 – Retail Stores
- 485 – Urban Transit Systems
- 487 – Sightseeing Transportation
- 511 – Newspaper, Book, and Software Publishers
- 512 – Motion Pictures
- 515 – Radio, TV, and Cable Broadcasters
- 532 – Automotive Equipment Rental and Leasing
- 812 – Personal Care Services

Industries We Are Seeing Less Affected By COVID-19

- Lumber and building suppliers
- Residential services such as: Spa's and pools, Tree services, Home construction and additions, Painting
- Security Services
- Plumbing, HVAC, Electrical
- In-Home health care providers
- Pawn shops
- CPA firms
- Exterminating and pest control
- Manufacturing

What Can You Be Doing Today With This Information?

- Contact all previous clients informing them of the ~~three~~ **two** additional payments.
- Contact all previous potential buyers informing them of the ~~six~~ **three** payments and fee waivers.
- Contact all potential sellers and listings explaining that buyers only have through September 30, 2021 to capitalize on incentives.
- Solicit listings on less affected industries.
- Assist all current listings to apply for P.P.P. loan forgiveness.
- Contact your “hardest hit” clients and share this information.

Have a question? Just ASK us!



The full line of COVID relief documents, including all official forgiveness applications, can be found at:

www.EasySBA.com

“COVID-19 & Webinar Resources” box at the bottom of the home page

or

“Looking for webinar or COVID documents?” banner at the top of the page

For any questions regarding SBA rules, email us at:

AskDiamond@easysba.com

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