

Economic Aid Act

Relief for SBA 7 (a) Loans

Updated on February 16, 2021 following new guidance from the Small Business Administration

Dear Valued Customer,

On February 16, 2021, the Small Business Administration (SBA) released additional information on the Economic Aid Act that empowers the SBA to make additional loan payments on behalf of select borrowers who have SBA 7 (a) loans. The SBA stated the funding level that we previously shared with you is no longer sufficient to make all planned payments.

Payments of up to \$9,000 per loan are starting this month as funded by an appropriation of \$3.5 billion. As detailed in guidance issued by the SBA, they may at any point reduce the number of monthly payments if the SBA believes that the funding level is not sufficient to make all the payments. We now know based on the information the SBA shared on February 16, which payments will be reduced.

The SBA will communicate with each affected borrower through email regarding the status and the number of payments each borrower can expect to receive.

Here is what you can expect as it pertains to the date your loan was approved by the SBA, the status of your loan and the type of business you operate.

SBA loan approval before March 27, 2020

You will now be receiving two, not three, additional payments.

Please note, if your NAICS code is on the list of especially hard-hit industries as identified on the list in [this video](#), those two payments will now be augmented by an additional three payments. This brings your payments to a total of five. Eight payments were originally scheduled.

The SBA will not begin making payments for this additional three-month period until after the SBA provides 7(a) and 504 lenders a list of their respective borrowers including each borrower's assigned NAICS code.

SBA approval date on or before September 27, 2020 and the loan was fully disbursed on September 28, 2020 or after

You will now receive three, not six payments. This group is called the newly eligible first round loans.

SBA approval date on or after March 27, 2020 and up to September 27, 2020

You will not be eligible for any second round payments as authorized by the Act.

SBA approval date on or after September 28, 2020 and up to January 31, 2021

The federal government has excluded loans approved in this timeframe from participation in this program. As such, no such payments will be made by the SBA on behalf of these loans.

SBA loan approval date on or after February 1, 2021 and up to September 30, 2021

Loans in this timeframe will be eligible for a number of benefits, including:

1. The first three payments will be made by the SBA up to \$9,000.
2. The SBA guarantee fee will be waived. This is a very sizable benefit, particularly for larger loans.

Existing loans still receiving payments from the first round or loans currently in deferral, will begin receiving their payments after these items have terminated.

The above applies to term loans as they relate to principal and interest payments, and also supports lines of credit as it relates to interest payments.

If you have any questions please reach out to your banker.

As always, Washington Trust Bank remains committed to providing you timely and helpful information as it becomes available to us from the SBA.