



SBA Procedural Notice

TO: All SBA Employees and Microloan Intermediary Lenders

CONTROL NO.: 5000-20030

SUBJECT: Guidance on Establishing Maturities of New Microloans Eligible to Receive Payments under Section 1112 of the CARES Act

EFFECTIVE: June 15, 2020

Section 1112 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) authorizes SBA to make the principal, interest, and associated fee payments that are owed on a covered loan for a 6-month period if the loan is in regular servicing status (section 1112 payments). Under section 1112(c)(1)(C) of the CARES, Act, SBA is authorized to make the section 1112 payments for new microloans that are made beginning on March 27, 2020 and through September 27, 2020. The payments were authorized to provide relief to small business borrowers adversely affected by COVID-19.

The purpose of this Notice is to address the standards that SBA expects Microloan Program Intermediary lenders (Intermediaries) to apply in establishing the maturity of new loans closed through September 27, 2020.

Intermediaries must underwrite all microloans, including the term of the loan, only after determining that the borrower has good prospects for repayment from the business operations without consideration of the SBA Section 1112 payments.

Intermediaries are prohibited from considering the availability of Section 1112 payments in establishing the repayment schedule or the loan term of any microloan. The repayment schedule and the loan term must be established as if no section 1112 payments would be made. Intermediaries may not intentionally shorten loan terms so that Section 1112 payments pay all or a substantial portion of the loan principal. SBA expects Intermediaries to establish the loan maturity for each microloan consistent with the Intermediary's microloans approved prior to the COVID-19 emergency. If SBA determines upon later review of the loans that an Intermediary did not comply with this requirement, the Intermediary may not be eligible for future Technical Assistance (TA) grant awards or grant reimbursements.

In addition, Intermediaries are prohibited from underwriting any new microloan through September 27, 2020 with a maturity of six months or less. SBA will be making the section 1112 payments on new loans for six months and, if the new loan has a maturity of six months or less,

SBA would not be providing just short-term debt relief to the borrower, but would effectively be providing a grant to the borrower, which is not the purpose of section 1112.

Lenders must continue to comply with existing procedures regarding MPERS reporting as required by Procedural Notice 5000-20015.

Questions concerning this Notice may be directed to the Lender Relations Specialist in the local SBA Field Office. Local SBA Field Offices can be found at <https://www.sba.gov/tools/local-assistance/districtoffices>.

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