



# SBA Information Notice

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**TO:** All SBA Employees and 7(a) Lenders

**CONTROL NO.:** 5000-20084

**SUBJECT:** Implementation of Modifications to the 7(a) Loan Program in the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act

**EFFECTIVE:** January 27, 2021

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On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) (P.L. 116-260) was signed into law. The purpose of this Notice is to inform SBA employees and 7(a) Lenders of modifications to the 7(a) Loan Program contained in the Economic Aid Act, including temporary higher guaranty percentages and fee reductions on eligible 7(a) loans, and an increase in the maximum SBA Express loan amount.

## **Modifications to 7(a) Loan Program Guaranty Percentages and Maximum SBA Express Loan Amount (Section 326 of the Economic Aid Act)**

1. For Standard 7(a) Loans, 7(a) Small Loans, CAPLines, Preferred Lender Program (PLP) Loans, and Community Advantage Pilot Program Loans (Community Advantage):

Effective December 27, 2020, and through September 30, 2021, SBA participation (i.e., the guaranty percentage provided by SBA) is increased to 90 percent. (See discussion below on Guaranty Percentages and Loan Amounts for effective guaranty rates for loans once SBA reaches the statutory limit for total guaranteed loan amount to a borrower.) On October 1, 2021, the guaranty percentages will automatically revert to previous levels.

2. For SBA Express Loans:

- a. **Maximum Loan Amount:** The current \$1,000,000 maximum loan amount provided for in section 1102(c) of the Coronavirus Aid, Relief, and Economic Security Act (Pub. L. 116-136) will be extended through September 30, 2021. On October 1, 2021, the maximum loan amount will permanently change to \$500,000.
- b. **Guaranty Percentage:**
  - i. Loans of \$350,000 or less: Effective December 27, 2020, and through September 30, 2021, the maximum SBA guaranty percentage is increased from 50 percent to 75 percent. On October 1, 2021, the maximum guaranty percentage will automatically revert to 50 percent.
  - ii. Loans greater than \$350,000: The maximum SBA guaranty percentage remains at 50 percent.

## Guaranty Percentages and Loan Amounts

The Economic Aid Act did not increase the statutory aggregate amount of the SBA portions of all loans to a single borrower (including affiliates as defined in 13 CFR § 121.301(f)), which is \$3,750,000.<sup>1</sup> Once the maximum level of participation of \$3,750,000 is reached for 7(a) loans (except for EWCP and IT loans), the guaranty percentage must be reduced to ensure this maximum level of participation is not exceeded. For example (except for EWCP and IT loans):

1. In order to receive a 90 percent guaranty, the maximum loan amount cannot exceed \$4,166,666 (\$3,750,000 divided by 90 percent).
2. In order to determine the guaranty percentage when the total loan amount to one borrower (including affiliates) is greater than \$4,166,666, the maximum guaranty will be calculated by dividing \$3,750,000 (SBA guaranteed amount) by the loan amount, and then rounding down to the second decimal. For example, if the loan amount is \$4,500,000, then the guaranty percentage would be \$3,750,000 divided by \$4,500,000, which equals 83.3333 percent, rounded down to 83.33 percent.

Loan Program	Max Loan Amount	Max Guarantee Amount
*Standard 7(a) (including CAPLines)	\$5,000,000	\$3,750,000
*7(a) Small	\$350,000	\$315,000
Community Advantage	\$250,000	\$225,000
SBA Express Loans \$350,000 or less	\$350,000	\$262,500 <sup>2</sup>
SBA Express Loans greater than \$350,000	\$1,000,000	\$500,000
Export Express Loans \$350,000 or less	\$350,000	\$315,000 <sup>3</sup>
Export Express Loans \$350,001 to \$500,000	\$500,000	\$375,000 <sup>3</sup>
*International Trade	\$5,000,000	\$4,500,000
*EWCP	\$5,000,000	\$4,500,000 <sup>4</sup>

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<sup>1</sup> Section 7(a)(3)(A) of the Small Business Act limits the total amount outstanding and committed (by participation or otherwise) to a single borrower (including affiliates) to \$3,750,000, except as provided for Export Working Capital Program (EWCP) and International Trade (IT) loans.

<sup>2</sup> Through September 30, 2021. Effective October 1, 2021, the maximum SBA Express Loan guaranty limit reverts back to 50 percent, and the maximum SBA Express loan amount will be reduced from \$1,000,000 to \$500,000.

<sup>3</sup> The Economic Aid Act did not change the maximum guaranty percentages for Export Express loans set forth in 7(a)(34)(C) of the Small Business Act, which are 90% for loans of \$350,000 or less and 75% for loans of \$350,001 up to and including \$500,000.

<sup>4</sup> Of which not more than \$4,000,000 may be used for working capital, supplies, or financings under section 7(a)(14) of the Small Business Act (EWCP) for export purposes.

\*Delegated (PLP) and non-delegated

3. The E-Tran system will automatically make guaranty and fee adjustments retroactively for 7(a) loans approved on or after December 27, 2020. Additionally, SBA will rebate the ongoing annual fees and upfront guaranty fees that have been received for those loans approved on or after December 27, 2020, to be applied as follows:
  - a) If a lender paid the upfront guaranty fee from the borrower's 7(a) loan proceeds, the funds rebated by SBA shall be deemed to have been approved for working capital and shall be disbursed to the borrower for that purpose within 10 business days of receipt by the lender and the lender must retain documentation of the disbursement in its loan file.
  - b) If a borrower paid the lender the upfront guaranty fee from funds other than loan proceeds, the Lender must pay the funds rebated by SBA to the borrower within 10 business days of receipt by the lender and the lender must retain documentation of the payment in its loan file.
4. For a 7(a) loan that was made on or after December 27, 2020 and prior to this Notice, and that will not be sold in the Secondary Market, no action is required by the lender to modify the guaranty percentage or fees in the Loan Authorization.

For a 7(a) loan that was made on or after December 27, 2020 and prior to this Notice, and that will be sold in the Secondary Market, the lender must modify the Loan Authorization in accordance with the procedures set forth in SOP 50 10.

#### **Temporary Fee Reductions (Section 327 of the Economic Aid Act)**

Subject to the availability of funds, beginning December 27, 2020, through September 30, 2021, for all 7(a) loans (including Community Advantage loans) for which an application is **approved**:

- The SBA Guaranty Fee (Upfront Fee) is reduced to zero (including the guarantee fee of one-quarter (1/4) of one percent of the guaranteed portion of a loan with a maturity of twelve (12) months or less); and
- The Lender's Annual Service Fee (SBA On-Going Guaranty Fee) is reduced to zero.

Because the Economic Aid Act provides that the fee reductions are available to the extent that the costs of such reductions are offset by appropriations, SBA will monitor available appropriations and will provide updated guidance on 7(a) fee reductions as necessary.

Lenders are not permitted to cancel any 7(a) loan that was approved but not disbursed prior to December 27, 2020, for the purpose of re-submitting the loan in order to qualify for the temporary fee relief provided in the Economic Aid Act.

**Questions**

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

John A. Miller  
Acting Associate Administrator  
Office of Capital Access