



SBA Procedural Notice

TO: All SBA Employees and SBA Microloan Program Intermediary Lenders

CONTROL NO.: 50000-20015

SUBJECT: Guidance on SBA's Implementation of Section 1112 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") Related to the SBA Microloan Program

EFFECTIVE: April 8, 2020

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was enacted to provide emergency and immediate national economic relief and assistance across the American economy, including to small businesses, workers, families, and the health-care system, to alleviate the severe economic hardships and public health threat created by the 2019 Novel Coronavirus pandemic. Under section 1112 of the CARES Act, SBA will provide debt relief to borrowers in the 7(a), 504, and Microloan Programs. The purpose of this Notice is to address the implementation of Section 1112 of the CARES Act for the Microloan Program. SBA will address the implementation of section 1112 for the 7(a) and 504 Loan Programs in a separate notice.

In accordance with section 1112(c), SBA will pay the principal, interest, and any associated fees that borrowers owe on a "covered loan" in a "regular servicing status" to SBA Microloan Program Intermediary Lenders (Intermediaries) for a 6-month period. SBA will make these payments to Intermediaries in accordance with the criteria and procedures described below.

A. Definitions:

1. A "covered loan" is a loan made by an Intermediary to a small business using a loan received under section 7(m) of the Small Business Act (15 U.S.C. 636(m)). A microloan must be associated with an outstanding loan between the Intermediary and SBA to be considered a "covered loan."

2. "Regular servicing status" means a loan that is not more than 120 days delinquent.

B. Implementation of the Six-Month Period of Payments. SBA will implement the six-month period of SBA payments as follows:

1. For a covered loan made before April 1, 2020, SBA will make the loan payments for the 6-month period beginning with the April payment. SBA will make each month's payment to the Intermediary on or about the twenty-fifth day of each month during the six-month period.

2. In order for SBA to make the first month's payment, Intermediaries must update MPERS with loan data for the quarter ending March 31, 2020, NO LATER THAN APRIL 7, 2020, for the April payment calculation. Intermediaries must continue to update MPERS monthly until six months of SBA payments have been made on all covered loans. SBA will calculate the amount to be paid on each covered loan based on loan data in MPERS as of the eighth day of each month.

3. For any covered loan made before April 1, 2020, for which the Intermediary has granted a deferment, SBA will make the loan payments as described above. Unless notified otherwise, SBA will assume that the Intermediary has applied the SBA payments received to the loan balance and extended the deferment period so that it continues after the 6-month period of SBA payments.

4. SBA will also make payments for covered loans made beginning on April 1, 2020, and through September 27, 2020. SBA will make the loan payments for these loans on or before the 25th day of each month for a six-month period. SBA will calculate the amount to be paid on each covered loan based on loan data in MPERS as of the eighth day of each month.

5. SBA payments will not exceed the outstanding balance of principal and interest owed on a covered loan by the Borrower.

6. If an Intermediary receives any regular loan payment due from a Borrower during the 6-month period that SBA is making the loan payments, the Intermediary must inform the Borrower that it has the option of the Intermediary either returning the loan payment to the Borrower or applying the loan payment to further reduce the loan balance after application of SBA's payment.

C. Payment Processing Instructions.

1. SBA will deposit funds into each Intermediary's applicable Microloan Revolving Fund (MRF) account and will send a report to each Intermediary detailing the payment breakout for each covered loan on or about the twenty-fifth day of each month beginning on April 25, 2020.

2. Each Intermediary shall report on how it applied the payments received from SBA to each covered loan in the Microloan Program Electronic Reporting System (MPERS) no later than 7 days after the end of each month.

3. For any covered loan that has been placed into SBA servicing, SBA will credit the loan payment to the Borrower's account.

Questions

Questions on this Notice may be directed to Daniel Upham, Chief, Microenterprise Development Division via email at Daniel.Upham@sba.gov.

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