

Frequently Asked Questions

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Questions concerning Small Business Debt Relief Program

SBA has provided information indicating that the ACH for April 1, 2020 has been rescinded. The SBA will make the April 1 payments to the CSA for active 504 borrowers not on deferment or whose debentures have been repurchased and are in SBA servicing. The payment to the CSA will be made before April 30, and payments will be made monthly to the CSA through and including the September 1 payment. The following are additional questions regarding the payment subsidy:

1. Will SBA allow loans that were submitted to the CSA prior to March 20 for payment deferment beginning April 1, 2020 to (1) cancel the deferment altogether and begin the payment subsidy on April 1 or (2) reduce the deferment period to 1 month and allow the payment subsidy to begin on May 1? What about other 504 loans on deferment?

Answer: SBA provided this guidance April 2. For any loan funded before March 27, 2020, borrowers whose 504 loans have not been repurchased by SBA may voluntarily end the approved deferment that was granted by SBA in order to take advantage of the six month payment subsidy. CDCs must notify borrowers of the option to end the deferment early or to wait until the deferment ends to receive the six month payment subsidy. The borrower must make the choice, not the CDC. The CARES Act allows SBA to waive the statutory limits on maximum loan maturities where a deferral extends the maturity of the loan.

2. What if the loan was past due? Will the payment subsidy start at the next due date of the loan versus the April 1 date specified in CARES Act?

Answer: CARES Act states that the payment subsidy will begin with the next payment due date following enactment (March 27, 2020), thus the borrower will still be responsible for the past due payments.

3. Will post-debenture-purchased loans in regular servicing receive the 6-month debt forgiveness as well?

Answer: SBA issued Notice 5000-20012 on March 30, 2020 indicating all SBA serviced 504 loans (504 loans that have been repurchased by SBA and are in regular servicing by SBA) will receive an automatic deferment of payment through Dec. 31, 2020. Borrowers may continue to make payments during this time. Interest will continue to accrue during any deferment period.

4. Will 504 loans that have concluded a deferment period and are in catch-up (i.e., in regular 504 servicing with the CDC) receive the 6 months payment subsidy?

Answer: Yes, the 504 loan is in regular servicing with the CDC and has not been repurchased by SBA is eligible for 6 months loan payment subsidy.

5. Will the SBA cover the borrower's TPL loan payments for 6 months as well as the 504 loan?

Answer: No, the SBA will only subsidize the 504 loan payments (principal, interest and fees) for six months. The borrower must contact their TPL for any relief need on the bank's loan.

6. If a borrower obtains one or all of the other CARES loans (PPP, EDIL, or EEI Grant), will they be precluded from receiving the 6 months of payment subsidy on the 504 loan?

Answer: No. Borrower's may avail themselves of any and all CARES programs for which they are eligible, but may not duplicate use of funds between the programs (i.e., you cannot fund the same utilities expense under both PPP and EDIL).

7. Are ILP Borrowers eligible for payment subsidy?

Answer: The CARES Act references section m which is micro loan and ILP is section I.

8. CDCs have/manage many loan funds from Federal and state agencies. Are any of these non-SBA program borrowers eligible for 6 months of payment subsidy? If yes, how do CDCs assist their borrowers to obtain the payment subsidy?

Answer: The Small Business Debt Relief Program of the CARES Act will provide immediate relief to small businesses with non-disaster SBA loans, in particular 7(a), 504, and microloans.

Questions on the Paycheck Protection Program (PPP) including Loan Forgiveness

The program would provide cash-flow assistance through 100 percent federally guaranteed loans to employers who maintain their payroll during this emergency. If employers maintain their payroll, the loans would be forgiven, which would help workers remain employed, as well as help affected small businesses and our economy snap-back quicker after the crisis.

1. Will SBA permit Community Advantage Lenders to make PPP loans? Will CDCs be approved to make PPP loans?

Answer: While SBA has not specifically named CDCs or Community Advantage Lenders as eligible to be PPP Lenders, SBA's web link to eligible PPP lenders includes some CDCs (who may be listed because they are also Community Advantage Lenders).

2. Can CDCs apply for PPP loans for their company?

Answer: If the CDC is a 501(c)(3) entity, it may be eligible for a PPP loan. Grandfathered for-profit CDCs may also be eligible for a PPP loan. Other than a specific veteran non-profit IRS designation or 501(c)(3), no other non-profits appear to be eligible.

3. How does a borrower have all or a portion of the PPP debt forgiven? Does the borrower apply to the PPP lender and the PPP lender then apply to SBA? Is applying to forgive all or a portion of the PPP loan a separate application process than applying for PPP loans?

Answer: The borrower will supply the necessary documentation (payroll tax filings, proof of lease payments, etc.) to the PPP lender. The PPP lender will make a determination that the use of loan proceeds is sufficiently documented to be eligible for debt forgiveness. The PPP lender will submit a “lender’s report of expected loan forgiveness” to SBA. SBA will repurchase that amount of the loan from the PPP lender.

4. Can borrowers apply for both EIDL grants and PPP loans and receive the 6 month payment subsidy?

Answer: Yes, you can apply for EIDL grants as well as PPP loans, but the use of funds cannot be for same purpose. If a borrower receives the 6 month payment subsidy, they may not claim the interest and fees funded by SBA as an eligible cost under PPP or EIDL grants.

5. Is the amount of the PPP loan that is forgiven included in taxable IRS income?

Answer: No, the CARES Act specifically states that the debt amount forgiven is not taxable for Federal income tax purposes.

6. If accountants or others assist small businesses with information needed to prepare a PPP application or to apply for the EIDL grant, can they charge fees to the small business?

Answer: No, the PPP Lender is paid a fee by SBA for processing the loan, and no additional charges or fees may be assessed to the borrower by the lender or a third-party agent who assists the borrower. The PPP Lender may pay the agent out of its fees.

Questions on CARES Act Programs

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2. Does the CARES Act permanently suspend the Personal Resources Test for all SBA products?

Answer: The CARES Act permanently suspends the personal resources test for SBA 7(a) loans, 504 loans and micro loans; however, the Credit Elsewhere requirement still applies to SBA loans except loans made under CARES (PPP, EDIL).